

PROCEEDINGS OF THE
GOVERNORS
CONFERENCE

1940

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Proceedings
OF THE
GOVERNORS'
CONFERENCE
1940



GOVERNORS' CONFERENCE IN SESSION—DULUTH, MINNESOTA

LEFT TO RIGHT: Governor M. CLIFFORD TOWNSEND, Indiana; Mr. HENRY W. TOLL, Honorary Secretary; Governors: WILLIAM D. LEAHY, Puerto Rico; RAYMOND E. BALDWIN, Connecticut; HERBERT R. O'CONNOR, Maryland; RICHARD C. McMULLEN, Delaware; HARRIAN J. BUSFIELD, South Dakota; JOHN MOSES, North Dakota; HOMER A. HOLT (back), West Virginia; LEVERETT SALTONSTALL, Massachusetts; GEORGE D. AIKEN, Vermont; HAROLD E. STASSEN, Minnesota; LLOYD C. STARK, Missouri; Mr. FRANK BANE, Secretary-Treasurer; Secretary of State HARRY F. KELLY, Michigan; Attorney-General JOHN E. CASSIDY (back), Illinois; Governors: ROBERT L. COCHRAN, Nebraska; HENRY H. BLOOD, Utah; E. D. RIVERS, Georgia; FRANK M. DIXON, Alabama; JOHN W. BRICKER, Ohio; WILLIAM H. VANDERBILT, Rhode Island. Other Governors who attended the meeting were: JULIUS P. HEIL, Wisconsin; CHARLES A. SPRAGUE, Oregon.

Proceedings
OF THE
GOVERNORS'
CONFERENCE
1940

THIRTY-SECOND ANNUAL MEETING

June 2-5, 1940

DULUTH, MINNESOTA

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Contents

	PAGE
EXECUTIVE COMMITTEE	vii
ATTENDANCE	ix

FIRST BUSINESS SESSION

INTRODUCTION	3
Opening Statement— <i>Hon. Lloyd C. Stark</i>	3
Welcome— <i>Hon. Harold E. Stassen</i>	7
Response— <i>Hon. Henry H. Blood</i>	8
THE STATE'S BUSINESS	11
"Organization and Administration of Public Services"— <i>Hon. John W. Bricker</i>	11
"History of the Massachusetts Conciliation and Arbitration Board"— <i>Hon. Leverett Saltonstall</i>	22
Discussion—The State's Business	29
Statement on National Defense	37

SECOND BUSINESS SESSION

WHAT TO DO ABOUT RELIEF?	41
"The Organization and Administration of Relief"— <i>Hon. Charles A. Sprague</i>	41
"Is the Present Relief Program—Federal, State and Local— Adequate and Effective?"— <i>Hon. Herbert R. O'Connor</i>	48
"The Problem of Taxation and the Problem of Relief"— <i>Hon. E. D. Rivers</i>	63
Discussion	71

BANQUET SESSION

CIVIL SERVICE	79
Welcome— <i>Hon. Harold E. Stassen</i>	79
"America's First Line of Defense"— <i>Hon. William H. Van- derbilt</i>	81
FEDERAL-STATE RELATIONS	87
"The Meaning of State Sovereignty"— <i>Hon. Homer A. Holt</i>	87

HIBBING SESSION

	PAGE
DEFENSE OF THE NATION	103
"National Defense"— <i>Hon. Lloyd C. Stark</i>	103
"What Is a Governor For?"— <i>Hon. Harlan J. Bushfield</i>	106

THIRD BUSINESS SESSION

LAND UTILIZATION	119
"State Development Through Land Utilization"— <i>Hon. George D. Aiken</i>	119
"The Place of the State in a Land Use Program"— <i>Hon. M. Clifford Townsend</i>	124
STATE-CITY RELATIONS	131
"The State and Its Cities"— <i>Hon. Raymond E. Baldwin</i>	131
Discussion	143

FOURTH BUSINESS SESSION

INTERSTATE TRADE BARRIERS	147
"Eliminating Trade Barriers—An Example of Cooperative Action Among the States"— <i>Hon. Robert L. Cochran</i>	147
Discussion	158
EXECUTIVE SESSION	164
EXECUTIVE COMMITTEE MEETING	166

APPENDICES

ARTICLES OF ORGANIZATION	169
GOVERNORS—1940	171
TREASURER'S REPORT	172
RESOLUTIONS OF APPRECIATION	177
ENTERTAINMENT PROGRAM	178

ILLUSTRATIONS

GOVERNORS' CONFERENCE IN SESSION	<i>facing</i> iii
EXECUTIVE COMMITTEE, 1940-1941	<i>facing</i> vii



BURNET R. MAYBANK



WILLIAM H. VANDERBILT



HENRY H. BLOOD



HAROLD E. STASSEN



HERBERT R. O'CONNOR

EXECUTIVE COMMITTEE, 1940-1941

Executive Committee

HON. WILLIAM H. VANDERBILT,
Governor of Rhode Island, Chairman
HON. BURNET R. MAYBANK, *Governor of South Carolina*
HON. HENRY H. BLOOD, *Governor of Utah*
HON. HERBERT R. O'CONOR, *Governor of Maryland*
HON. HAROLD E. STASSEN, *Governor of Minnesota*

FRANK BANE, *Secretary-Treasurer*
HENRY W. TOLL, *Honorary Secretary*

Attendance

- HON. GEORGE D. AIKEN, *Governor of Vermont*
HON. RAYMOND E. BALDWIN, *Governor of Connecticut*
HON. HENRY H. BLOOD, *Governor of Utah*
HON. JOHN W. BRICKER, *Governor of Ohio*
HON. HARLAN J. BUSHFIELD, *Governor of South Dakota*
HON. ROBERT L. COCHRAN, *Governor of Nebraska*
HON. FRANK M. DIXON, *Governor of Alabama*
HON. JULIUS P. HEIL, *Governor of Wisconsin*
HON. HOMER A. HOLT, *Governor of West Virginia*
HON. WILLIAM D. LEAHY, *Governor of Puerto Rico*
HON. RICHARD C. McMULLEN, *Governor of Delaware*
HON. JOHN MOSES, *Governor of North Dakota*
HON. HERBERT R. O'CONOR, *Governor of Maryland*
HON. E. D. RIVERS, *Governor of Georgia*
HON. LEVERETT SALTONSTALL, *Governor of Massachusetts*
HON. CHARLES A. SPRAGUE, *Governor of Oregon*
HON. LLOYD C. STARK, *Governor of Missouri*
HON. HAROLD E. STASSEN, *Governor of Minnesota*
HON. M. CLIFFORD TOWNSEND, *Governor of Indiana*
HON. WILLIAM H. VANDERBILT, *Governor of Rhode Island*
- HON. C. ELMER ANDERSON, *Lieutenant Governor of Minnesota*
HON. JOHN E. CASSIDY, *Attorney-General, Representing*
HON. HENRY HORNER, *Governor of Illinois*
HON. HARRY KELLY, *Secretary of State, Representing*
HON. LUREN D. DICKINSON, *Governor of Michigan*
- FRANK BANE, *Secretary-Treasurer*
HENRY W. TOLL, *Honorary Secretary*

First Business Session

HON. LLOYD C. STARK, *Chairman*
GOVERNOR OF MISSOURI

Monday Morning, June 3, 1940

Grand Ballroom, Hotel Duluth

Duluth, Minnesota

Introduction

GOVERNOR STARK: This is the thirty-second annual meeting of the Governors' Conference of the United States. I am pleased to see such a splendid attendance and I feel sure this will prove to be one of the most fruitful gatherings in the history of this great organization.

I want to take this occasion to thank my fellow members of the Governors' Conference for the splendid cooperation given me during my term as Chairman. I shall cherish the associations made during the past year as long as I live.

When you honored me with the chairmanship last year at Albany, New York, I was only too well aware of the high standard of leadership established by my predecessor, and my good friend, Governor Cochran of Nebraska. I might add that on several occasions I have called upon him for advice and counsel and he has always responded.

There is no need for me to appraise the work of our able and efficient Executive Secretary. Every one of you, I am sure, has experienced the same fine degree of cooperation from Frank Bane that I have received. I honor him as a tireless worker, as a thorough-going executive, and as an outstanding authority in the field of governmental problems.

OPENING STATEMENT

The program for this conference was outlined and developed many weeks ago. We could not anticipate the swift rush of events at home and abroad which has made the problem of national defense the most pressing question of the hour. As Governors of the several states we not only serve as civil administrators but as the commanders-in-chief of the national guards. Therefore, in our official capacity as well as in the capacity of patriotic American citizens, we recognize that we have a grave responsibility with respect to the development of adequate national defense.

In looking forward to this occasion, I had planned to touch but lightly upon the affairs of this conference and the most important business which will occupy our minds during the sessions of the next two days. Our scheduled program, however, has been changed to some extent in that the Executive Committee, of which I am Chairman, this morning decided to bring before the conference a statement concerning the problem which today is uppermost in the minds of all American citizens—the question of adequate national defense.

We are assembled here in the great and peaceful State of Minnesota enjoying the liberties which for more than one hundred and fifty years have been guaranteed by the Federal Constitution and the wisdom of the American people. During that century and a half the oceans on either side of our nation have provided us with virtual immunity from any threat of foreign invasion. Under the Monroe Doctrine our rights and the rights of the other American nations in the Western hemisphere have been recognized and respected.

I am convinced the people of the United States are not going into any war—except to defend our own shores. Our destiny as a free people is not and must not be linked with a Europe which is endlessly engaged in destructive warfare.

Let us frankly face facts. However much our natural sympathies rest with the democracies of Europe in their life-and-death struggle, however much we may deplore the brutal methods of totalitarian dictatorships, our manifest duty as leaders of American thought and opinion is to preserve the American way of life by avoiding those entangling alliances against which Thomas Jefferson long ago so forcibly warned the young Republic.

I repeat, we must not be brought into any European or Asiatic War. Yet war may come to us. We have seen the impossible happen in recent weeks. One of the best-trained armies in the world has been baffled and disrupted by the power of super-mechanized troops. The most powerful navy in the world is seriously handicapped by lack of sufficient modern planes to counter the new and terrible threat of mass air attacks. So while we have heretofore been secure in our isolation yet we must now recognize the fact that our country should be prepared—must be prepared—to defend itself successfully against any aggressor.

A survey of the condition of our national defenses today discloses that we must enlarge, must modernize and coordinate the efforts of all our armed forces. Obviously, the greatest need is for planes, but the battle fleet remains our first line of defense and the army must be fully equipped to meet any modern mechanized force that may attack our shores.

I call these things to your attention because, as I have said before, you as the Governors of your respective states are more than civilian administrators. You are the commanders-in-chief of your national guard units. Above all, you are molders of public opinion and the elected spokesmen of your fellow citizens.

There is one phase of national defense which deserves our special attention. We must be on guard against any attempt to create in these United States an insidious band of traitors and opportunists who constitute a so-called "Fifth Column." Facing the facts boldly, as we must, in times like these, we have in this nation the elements of such a "Fifth Column." It should be the task of every loyal American citizen to help block any attempt by such a Fifth Column group to undermine our new defense program—a program vital to the security of the entire nation. The actual police work can be left to professionals. We want no hysteria, no blind ostracism, no persecution of people of alien birth. There is another, a more effective way in which the Fifth Column can be overwhelmed and that is by the development of a "Sixth Column."

The "Sixth Column" would be composed of all loyal citizens who, while not wearing uniforms, still consider themselves patriots, enlisted in the service of the nation. It would be composed of men and women who take as their service a responsibility for talking with discretion, listening quietly, thinking clearly, and holding courageously firm against the forces of alarm and hysteria. The strongest weapon of the "Sixth Column" is faith—a firm and unyielding faith in the unconquerable destiny of the American people—faith in its leadership, and faith in a God who has singularly blessed us.

We are a peaceful nation, and our national will to remain at peace continues unshaken in the face of the tragic events across the sea. It is because of this unified determination to remain at peace that the American people today stand ready to

make any sacrifice necessary to render our national defenses impregnable. Once more we must reflect on the inspired wisdom of George Washington, our first President, as we recall his admonition. He said: "To be prepared for war is one of the most effectual means of preserving peace." No one ever has said it better.

Our national preparedness program should, and will, serve notice to the world that America will not be caught napping if the greedy eyes of a conqueror are turned toward our rich land. We must dedicate ourselves to this task with singleness of purpose. We must pay for that defense and consider it reasonable insurance for the protection of the mighty stake that is ours in comfort, security, and opportunity—in freedom, liberty and democracy. We must have the cooperation of public officials, business executives, farmers, industrialists, workers and private citizens to see that an adequate preparedness program is begun at once and carried through to completion, at the earliest possible moment.

As Governors of sovereign states we share with the elected officers of the Federal Government the responsibility of using national defense funds wisely. Speed, in rearmament, is imperative now but the avoidance of waste is still the responsibility of good leadership. Each of us, in his own way and within his own sphere of influence, can play a vital part in the shaping of America's national defense program. We can guard against waste and carelessness in our own states and we can offer, out of our own experiences, our best counsel to those men in the national government who carry the heavy burden of directing the defense program.

The months ahead of us will be trying months, but we must keep our morale strong and put self-interest behind us for the greater good of the entire people. In doing that, we shall once again demonstrate to the world the unique strength of this nation—the fact that forty-eight sovereign states can remain self-governing and still weld themselves into the mighty chain of federal union. That chain of forty-eight links, gentlemen, is the last barrier which proclaims to lawless aggression—"Thou Shalt Not Pass!"

It is now my pleasure to present our distinguished host, the Governor of Minnesota, the Honorable Harold E. Stassen.

WELCOME

GOVERNOR STASSEN: Governor Stark, fellow Governors of the states of the Union: It is an honor to our North Star State of Minnesota to have the opportunity of welcoming you here in our State for this Thirty-Second Annual Governors' Conference.

Amidst the darkening events of the world it is still a matter of encouragement and inspiration that we can gather here again as Representatives of twenty-eight states of this Union, in a Thirty-Second Conference, discussing affairs of concern to the people of our respective states. That we can gather in Conference representing states peopled, in various degrees, with sons and daughters of every nationality in the world, located in territories to the north and to the south, to the east and to the west, with resources and ways of life that are quite diverse and yet gather again as Executives of twenty-eight states of this Union, to meet together for our mutual interests and the mutual interests and constructive future of the peoples of our States.

Minnesota in joining together in welcoming you this morning, has as its primary interest, that this Conference, this splendid program arranged by Governor Stark and Executive Committee, and Mr. Bane, Executive Secretary, be instructive and helpful to each of us and to the peoples of our State.

And secondly, the people of Minnesota are concerned that your stay here may be a pleasant one, that you may enjoy for some brief moments, the great recreational facilities of this area of the northern part of our state. It is a veritable crown of vacation land, jeweled as it is with thousands of lakes, ribboned with beautiful highways. We ask that you let us know anything that you desire to make your stay here more enjoyable in order that we may play the role of host as we desire to play it to you.

We are pleased that some of you gathered in advance. You have already had some preview of our vacation land, but as we settle down for these three days of very serious considerations, we will ask that you advise us of your wishes and desires for your enjoyment while here.

I know that I speak in behalf of all of our people as I welcome you this morning, and I say to you the North Star State is proud

for the first time in its history to have as its guests Governors of its sister states which it loves and respects.

It is my honor to recognize now, one of your number, the Governor of our sister state of Utah, a Governor who has served that state for seven years or more ably and well. I am now going to recognize the Honorable Henry Blood of Utah, who will respond in behalf of the Governors of the States. Governor Blood.

RESPONSE

GOVERNOR BLOOD: Governor Stark, Governor Stassen, my fellow Executives, Ladies and Gentlemen: It is my pleasant duty as a representative member of the Governors' Conference, to tell Governor Stassen and our friends of Duluth and the State of Minnesota, how delighted we are to be here, and how grateful we are to receive the welcoming greetings so sincerely and so eloquently presented by the distinguished Governor of this great and most prosperous Commonwealth.

This pleasure that we feel in being here is because we shall have the opportunity of spending a few days in this beautiful city. It has such a wonderful climate, and is set amidst verdant surroundings in the vast industrial, transportation and commercial center of this enterprising region.

The Governors' Conference, as you know, is a means for serious, dignified, and well-considered discussions on topics chosen because of their close relationship to the public welfare, using that term in its broad sense. The exchange of ideas is limited to subjects of general importance to the people. By reference to the program of this year, you will see that such matters have been given due weight by the Program Committee.

My home state of Utah had the pleasure of entertaining the Governors' Conference in the year 1930, just ten years ago. I was not entitled to membership at that time, but as a state official I was interested, and I know that several of those who attended have since gone far in fame and influence.

Those present at that Conference, some of them, as well as many distinguished members before and since that date, have set high marks in citizenship and in service.

When that Conference was held ten years ago, the business outlook was dark. An economic and perhaps a social revolution

was just getting under way in this country, and in the world at large. In the decade that passed, it has become clear that we shall perhaps never return entirely to the old ways of living and thinking.

The present Conference, ten years later, also meets in the shadow of ominous clouds. We, of the Western Hemisphere, would be dwelling in a false paradise if we conceive the idea that the titanic destruction now in progress in Europe will have no repercussion here. What the future holds for us, we do not know. "The hour of our destiny is here," writes a well-known news-analyst, who a year ago expressed the opinion that, "What Rome was to the ancient world, what Great Britain has been in the modern world, America is to be to the world of tomorrow." That is, this nation, in that writer's opinion, must become the symbol and the guardian of western civilization.

"For a hundred years," and I continue the quotation from the same writer, Walter Lippman, from a current magazine, "For a hundred years, those who see into the future far enough, have prophesied that it was the mission of the Americas to make themselves the invulnerable center of liberty. 'While Europe,' quotes Jefferson, 'is laboring to become the domicile of despotism, our endeavors should surely be to make our Hemisphere the home of freedom.' As," Lippman continues, "we contemplate the heavy task which fate has imposed upon us, we must pray that we be given, once more, in our hour of need, the foresight, the wisdom and the courage of the men who founded the American Republic. With infinitely smaller resources than we possess, but with a clearer vision than we have kept, they founded this Republic and made it independent. We have now to preserve what they achieved."

I do not suppose there is a person within the range of my voice who does not, in his heart of hearts, believe that in this nation, on this continent, and in this hemisphere, the torch of liberty and freedom will continue to burn brightly and without interruption.

Mankind will continue its march of progress onward, forward, working for its own welfare and for the good of its fellow men. Truly the task before it is very great, but history shows that this nation never lacked for leadership when leaders were needed. God willing, it never shall.

The present hour calls for clear, cool judgment, and for

decisive action. It calls for men with human kindness in their hearts. Such were the great historical figures our democratic nation has produced. Such it will continue to present to the world, and may we hope and pray for the coming of that age of which Longfellow sang when, "The war cry was forgotten; There was peace among the nations."

Governor Stassen, I speak sincerely for your guests when I say that we thank you, and we are truly glad to be here.

The State's Business

G OVERNOR STARK: The organized administration of the state movement is the largest and most important business in every one of the several states. It is, therefore, proper and fitting that we should begin our deliberations with a discussion of "Organization and Administration of Public Services."

Governor Bricker of Ohio has had a notable career as Attorney-General of the State of Ohio, and during the past two years as Governor of that great State. He is, therefore, eminently qualified to discuss "Organization and Administration of Public Services." Governor Bricker of Ohio.

"ORGANIZATION AND ADMINISTRATION OF PUBLIC SERVICES"

*Address by HON. JOHN W. BRICKER
Governor of Ohio*

In 1912 a Constitutional Convention in Ohio submitted to the people of our state several amendments to the constitution. Among these amendments were the initiative and referendum, and authority for expanding the power of the state through various boards, bureaus and commissions. A notable change was in the so-called home rule provisions for cities. These were adopted. They gave to the cities all local police power, all authority to act on local matters by ordinance when not in conflict with the state statute and the power to tax in all fields except those pre-empted by the state.

At that time as well as now, most local taxes were on real estate and tangible personal property. In 1933 an amendment to the constitution of our state limited real estate taxes to ten mills, except upon vote of the people. By statute a sixty-five percent vote is necessary for all levies and bond issues. One exception to that rule was the law of the last General Assembly

which reduced the vote, in cities only, for relief to fifty percent for 1939 and fifty-five percent in 1940.

This limitation on the taxing power of the local subdivisions placed upon the state a burden of finding funds for the support of the local government. The ten mills were insufficient to carry on properly the functions of local government. Previous to this tax limitation the only state funds turned over to local subdivisions were in the aid of weak school districts. That aid was limited to a few million dollars.

The state in creating county governments, school districts and townships has seen fit to expressly grant their authority to act and to levy taxes. The interpretation of that grant of authority has been strict. These subdivisions therefore do not participate in home rule power given to the cities.

We in Ohio then have been faced for many years with cities whose powers are extensive but whose taxing ability is seriously restricted. As a result of the expanding need for local expenses the state has entered the field of excise taxes; nuisance taxes; gasoline taxes, used largely for roads, both in the state and local communities. We have a gallonage tax on liquor as well as a tax or profit through the monopoly system on all liquor handled. Particularly, as a result of the need for local taxes, after the restriction on real estate taxes, a retail sales tax of three percent was adopted by Ohio on all products exclusive of food consumed off the premises.

Practically all of the tax laws of the state are administered by the Department of Taxation, collections being made by the State Treasurer. The exceptions to this practice are motor vehicle license fees collected by the Bureau of Motor Vehicles, taxes on licenses of the foreign insurance companies which are handled by the insurance department and the liquor taxes which are collected through the Department of Liquor Control; horse racing taxes collected by the Racing Commission and the sportsmen's fees which are in charge of the Department of Conservation.

These special taxes were resorted to by the State Legislature to meet special needs from time to time. A crisis would occur in local government and then the Legislature would rush in with an express or special tax. The practice was common of allocating or ear-marking these taxes for express purposes. Sixty percent of the sales tax was allocated to schools; forty percent to

local governments. Liquor taxes were ear-marked for old age pensions. Admission, nuisance and excise taxes were levied for direct relief.

Gasoline tax and motor vehicle license fees were largely restricted to construction and maintenance of highways. Licenses for hunters and fishermen were limited to the Department of Conservation. In addition to these ear-marked taxes, other fees and license taxes were collected under special statutes for the express purpose of administering the laws dealing with the licensees. Building and Loan fees, bank fees, a special levy on public utilities for operating the Public Utilities Commission are examples. These fees are deposited in the general revenue fund and appropriations made directly for expenditures in the departments. This practice has led to considerable agitation for ear-marking of those funds in the full amounts collected for the express use of the boards, bureaus and commissions involved.

This whole program resulted in inequities,—local government and the various departments of state government not knowing from month to month or year to year what amount of money they would have for their use. It also led to a lax tax enforcing policy by the Tax Commission of the State. Only portions of these taxes collected were credited to the state general revenue. If there were a shortage, local governments, to which the particular tax was allocated, would suffer—not the state.

The school funds were distributed by the state to the local school districts under what is known as the School Foundation Law. Funds were appropriated on the basis of the number of pupils and the transportation costs, with additional amounts for weak school districts.

If the amount collected were not sufficient a shortage resulted and the local school boards were handicapped in the conduct of the schools. At the beginning of my administration, the shortage was over eighteen million, three hundred thousand dollars. During the five or six years when this shortage was accumulating, the local school boards had been authorized to borrow against future distributions by the state to the extent of the shortage from time to time existing. This of course was a moral obligation of the state and certainly a legal obligation of the school districts. If the credit were to be preserved, the state must make good the shortage to the local school districts.

During recent years, as a result of a fluctuating Federal policy

on relief—one of assuming, expanding and then abandoning—and the increasing local needs and shortages of money as well, the state had to step into the breach and make up the deficiency. As a result of this special need for relief, excise taxes were levied on utilities, beer malt and wort and allocated to the subdivisions to meet relief needs.

This did not raise enough money and the legislature authorized borrowing by local subdivisions against these taxes to be collected in the future. These relief local borrowings amounted to approximately twenty million dollars when I became Governor.

These excise taxes are paid directly to local subdivisions in many instances. In only a portion of the counties does the state treasurer act as a paying agent. They therefore do not appear in the budget of the state either in the income or appropriation for the biennium.

In addition to these two large debts, there was a deficit in the general revenue fund at the beginning of the last year of over two and one-half million dollars. This was not a result of policy but simply a general debauchery during the last six months of the previous administration of the financial policy of the state.

The Constitution of Ohio contains the following provision:

“The State may contract debts, to supply casual deficits or failures in revenues, or to meet expenses not otherwise provided for; but the aggregate amount of such debts, direct and contingent, whether contracted by virtue of one or more acts of the General Assembly, or at different periods of time, shall never exceed seven hundred and fifty thousand dollars; and the money, arising from the creation of such debts, shall be applied to the purpose for which it was obtained, or to repay the debts so contracted, and to no other purpose whatever.”

In spite of this provision of the Constitution of Ohio by the heretofore outlined ingenious authorizations, the state faced a deficit of approximately forty million dollars on the first day of January, 1939.

The total appropriation bill for the biennium of 1939 to 1940 was over three hundred seventeen million dollars, making the average annual amount over one hundred fifty-eight and one-half million dollars. Of this total only forty-nine million

was available for general revenue purposes of the state. The remainder went to highways, the liquor department, conservation and to the local governments.

These subsidy grants to the local subdivisions amount to forty-eight and one-half million dollars for local schools, twelve million dollars directly to local general revenue; and ten million dollars to local governments to be used for direct relief. Obviously, it would be very difficult to ever pay the shortage or put the state books in balance if these ear-marked funds were continued. If there were an overage the local subdivisions would spend it, and if a shortage they would borrow against the future.

As a result of this apparent unstable financial policy, we did away last year with the ear-marking and special allocation of taxes with the exception of the gasoline tax, which as you well know because of the contractors, material men, labor and others specially interested in highways must be expended for maintenance and construction of roads. The sportsmen's fees also were excluded because they justly are jealous of their special interests. This money therefore is used exclusively for the purpose of conservation.

At the beginning of that year we were faced with expanded needs on every side. To comply with provisions of the school foundation law an increase of six and one-half million dollars a year was necessary. Pending applications in the old age pensions department required an additional two million in 1939 and three million in 1940. The Legislature fixed the increased needs for direct relief to be one and one-quarter million dollars a year and the needs of local government one million dollars over the 1938 payments.

The state, if it were to function properly, therefore was met with the necessity of collecting taxes. The Tax Commission was reorganized under a Tax Commissioner and a Board of Tax Appeals. The Tax Commissioner is charged with the administration of all tax laws and performs the duties of the old four-member Commission which was abolished. The Board of Tax Appeals, consisting of three members, appointed for six year terms, performs a quasi-judicial function of review of all orders of the Tax Commissioner by appeal of any interested party and of any appeals from County Boards of Review fixing value on local property. An appeal directly to the Supreme Court was

provided, on the record made before the Board of Tax Appeals.

Local government finances must have the approval of this Board of Tax Appeals and therefore under its supervision was placed the Board of County Affairs. This resulted in increased efficiency and over fourteen and one-half millions of dollars of additional funds collected through the department. This increased efficiency has resulted from certainty, convenience and economy in taxation.

The details of this program are interesting but too involved to present here.

The Liquor Department was placed upon a business-like basis resulting in increased income to the state for the year of over three and one-half million dollars. The other departments of state government collecting taxes were speeded up which resulted likewise in increased collections.

An interesting phase of the Tax Collection program was a new law for redeeming of sales tax stamps. These tax stamps are purchased from the state by the merchant and given to the customer with his purchase. The Legislature authorized the Treasurer of State upon presentation to him of these cancelled stamps to redeem them upon the basis of three percent of their face value.

For many months now school children, graduating classes, special groups and others have been coming to Columbus to see their state government operate. Large numbers of them have told me that their expenses were paid through the redemption of these sales tax stamps which they had saved throughout the year. One group told me they had collected one thousand dollars on their stamps and it had been placed in a library fund. It is hard to estimate the amount of taxes collected by reason of this method, but it runs into many millions.

The increased income was not sufficient to take care of the expanded needs and particularly the relief needs of local government. The State payroll had been for many years padded. Careless, inefficient and even worse principles of business had been applied in purchasing materials and in letting contracts.

Through reduction in payrolls and maintenance items as well as purchasing department savings, we cut the cost of our state government in 1939 under 1938 more than five and a quarter million dollars. As a result of these methods of operating the state government, all bills were paid when they came due. In

addition, the general revenue deficit was absorbed, three million three hundred thousand dollars paid on the school foundation shortage, the carrying charge of one-quarter million dollars of interest assumed by the state, all of the increased appropriations paid in full and we ended the year with a net operating surplus of three and one-quarter million dollars.

This was done, not by any magic formulae, not by any brilliantly conceived policy of government, but by constant and diligent attention to details and the appointment of men experienced in matters of government.

There were two other items of state financing to which I want to call your attention. Years ago there was established in Ohio, the Public School Teachers' Retirement System, to which the state contributes. There was a shortage in this fund in January 1939 in the amount which the state owed of eight hundred and eighty thousand dollars. That was paid during 1939. Increased amounts were also necessary to meet state payments under the State Employees Retirement System, patterned after the Teachers' Retirement System. These reserve funds at the present time in the Teachers' Retirement System are over ninety-one and three-quarters millions and in the State Employees Retirement System over five million dollars. These funds are invested in approved Ohio securities.

There are many independent boards and bureaus in Ohio not listed in any department. The Industrial Commission and the Bureau of Unemployment Compensation are the most important. They collect special taxes from employers for the purpose of compensation for industrial accidents and for unemployment compensation. The Industrial Commission operates as a monopoly system for industrial insurance. Private companies are prohibited from insuring in Ohio in this field. The reserve fund is approximately sixty million dollars.

The Bureau of Unemployment Compensation collected in 1939, fifty-eight million, six hundred twenty-four thousand, six hundred and eleven dollars. The amount now held by the Federal Government to the credit of Ohio is over one hundred and fifty-three million dollars.

I have considered with you thus far the operation of public service in Ohio. The organization, I think, of our state government is peculiar to Ohio.

In 1920 the government was completely reorganized in what

might be designated a cabinet system. All departments of state government were blocked under some cabinet official. The Departments are as follows: The Department of Finance, The Department of Industrial Relations, The Department of Education, The Department of Health, The Department of Public Works, The Department of Liquor Control, The Department of Highways, The Department of Commerce, The Department of Agriculture, and the Department of Public Welfare.

The relationship of the directors or cabinet members to the various subdivisions is not very well defined. I served as a member, at one time, of the Public Utilities Commission of Ohio, when it was in the Department of Commerce. Employees were appointed by the Director of Commerce and I can well remember when the Chairman of the Commission came out of his office in a rage and wanted to know if the Chairman of the Commission had no authority at all over employees, because someone had refused to obey his orders and had complained to the Director of Commerce. This caused its separation and now that board as well as the Industrial Commission acts absolutely independent of any department or cabinet officer. The Civil Service Commission could likewise be so classified.

The Banking Department is more or less independent of the Department of Commerce and yet during the bank crisis, the Director of Commerce became the most important individual in the state system and because of his industry, ability and influence moved into an important place as head of the Building and Loan and Banking Departments.

I do not have the time in this paper to discuss the relationship of the various departments with the Federal Government. Constantly, inspectors, examiners and department heads of the Federal Government are in touch with the state departments that have Federal funds. The most friction with Washington has come in the Bureau of Unemployment Compensation. The best cooperation has been between the Federal Department of Highways and our own State Highway Department. There have been in other fields at several points attempted domination by Federal representatives.

Every citizen, under the Federal constitution, is entitled to his day in Court, if property rights are involved. These various departments of state government being administrative or executive in character do not rise to the standing of courts. There-

fore, every interested party who might be affected in his property rights by an order or regulation has his right of appeal under the Ben Avon and our own Ohio Utilities cases. There is no consistency in the various laws giving these rights of appeal. Some go to the Court of Appeals in our state, of which we have nine. Others go to the Common Pleas Court, the County Courts of original jurisdiction and in the case of the Tax Commission and the Public Utilities Commission, the appeals are direct under the law to the Supreme Court of our state, the Court of last resort.

So involved become these orders that we have appeals from one department to another. An order of the Highway Department requiring a separation of grades at railroad crossings is appealable to the Public Utilities Commission. This lack of uniformity, with resulting confusion, has amounted in many instances to the citizen being deprived because of cost, technicalities or lack of knowledge of his rights to an appeal. The delays incident to appeals have been too costly.

From the experience which I have had as a member of one of these boards, as Attorney General and as Governor, I am convinced that a step forward in the administration of laws within the State would come through the creation of an administrative Court of Appeals, with state wide jurisdiction to hear appeals without the necessity of long and costly trial from these various boards, bureaus and department heads. This would result in clearing of facts and leaving the Supreme Court or courts of last resort to consider questions of law alone.

The necessity for this becomes apparent when you know that some of the records which go before our Supreme Court from the Public Utilities Commission involve as high as sixty to seventy thousand pages of testimony and exhibits.

During the few years of experience I have had in public office, I have observed that there is a constant tendency to move out for more authority on the part of these administrative boards and departments. I only know two which have ever been given up—one was the Milk Commission in our state, which lapsed at the end of two years and the other was O.R.A. which of course died at the time of the Supreme Court decision in N.R.A.

I have considered up to this time the operations of those departments that are directly under the jurisdiction of the Gover-

nor. We have several elected officials in Ohio; the Lieutenant Governor is President of the Senate. The Secretary of State is our chief election official, having jurisdiction over the conduct of state and local elections. In his office is lodged the Department of Corporations.

We have an elected State Treasurer and a State Auditor, under whom we have a Bureau of Inspection and Supervision of Public Offices, having authority to audit books of all political subdivisions of the state.

The Attorney General is the civil law officer of the state. He acts as attorney for all elected officials and all the departments of state government. He does not have criminal jurisdiction except in those cases where he is called by the Governor to conduct a grand jury investigation, where he supersedes the local prosecuting attorneys.

My service in that office for four years and my experience as Governor convince me that there should be a Department of Justice created in our state, headed by the Attorney General. It should include a Bureau of Investigation. The Attorney General should be empowered to intervene in criminal cases, especially in those cases where state officials and state appropriations are concerned.

In matters of law enforcement Ohio has held strictly to the rule of local autonomy and local responsibility. The prosecutor and sheriff are elected to office in the counties and are removable only by the county court after petition and hearing. The Governor can remove the sheriff only in case of the taking of a prisoner by a mob and a Mayor only for malfeasance in office after hearing.

To emphasize the jealousy with which this local authority is guarded, I remember a case in which I acted as attorney for the Governor where he removed a Mayor. The Mayor's brother and his Safety Director were later convicted and sent to the penitentiary for his crime in office, yet the people of that city the next year again elected the same Mayor—it seemed to me out of resentment to outside interference.

I have attempted to emphasize the expansion of our state government and the corresponding decreasing local authority. At the same time the Federal Government has stepped into State fields through grants in aid.

The whole development has been inconsistent, yet it represents an attempt at system and sound business principles.

The Legislature has dealt with the problems as they have presented themselves year by year, creating authority here to deal with one group and there another. Around these departments of government is constantly growing a new field of law. New precedents are set, and rules and regulations carrying out details are beyond comprehension.

But, we are amazed to see the adaptability of state government to these new problems. In spite of experimentation, the efficient way in which the state has done the job impresses us. The state now is the most representative of local interests. The townships, the counties and the cities have been brought closer together by improved transportation and communication facilities and their interests merge. If we are to have a representative government, there must be a local unit which expresses local interest and desire. The state now in a large measure fills that place.

We recognize the paramount power of the federal government and appreciate its grave responsibilities under the expanded industrial order and the changed social problems. We have also felt the greater taxing power of Washington. I conceive it to be your duty and mine to diligently strive to prevent a federal, centralized, powerful government from completely wiping out the sovereignty of the states of the Union. If that sovereignty is destroyed, representative government ends. One way is to in a business like way meet local needs.

You and I have taken an oath to preserve the constitutional system. That constitutional system is foundationed upon local government, local needs and local interests.

GOVERNOR STARK: Governor Bricker, we are indeed greatly indebted to you for that very fine address.

Governor Saltonstall, of the old Bay State, will now discuss the "History of the Massachusetts Conciliation and Arbitration Board." Governor Saltonstall.

"HISTORY OF THE MASSACHUSETTS CONCILIATION
AND ARBITRATION BOARD"

*Address by HON. LEVERETT SALTONSTALL
Governor of Massachusetts*

GOVERNOR STASSEN AND FELLOW GOVERNORS: As governors, we all know that our underlying problem is jobs—jobs in private industry. The more people who remain at work, and the more people who get jobs, the less are the problems of state and local government. The subject of conciliation and arbitration is very close indeed to this all-important topic of "jobs," because conciliation means ending by mutual agreement disputes which ruin jobs; and arbitration also means peace through agreement to abide by an umpire's decision.

There are several inducements for industries. There must be adequate facilities for plants, of course. There must be reasonably low taxes. There must be enough skilled workers. But most important of all, I believe, employers and employes must get along well together. There are always bound to be differences over wages, or hours, or conditions, or many other problems. The test is whether the worker and his boss can settle these differences in a reasonable way without harm to themselves, their families and their communities.

In most disputes, a sage and philosophical labor leader once said, there are three sides. One is the union's side and another is the employer's side. And the third? That is the right side!

Tucked away in a corner of the State House in Boston, there are three men whose sole concern is the third side—the right side. They and their predecessors have been finding the right side for almost 54 years. They are the Board of Conciliation and Arbitration, the oldest in the country. But the Board is young and vigorous enough to have found the third side so many times in the last three years that an estimated minimum of 200,000 men have refrained from striking—enough to establish a picket line 57 miles long or from Duluth to Hibbing, where we are going tomorrow.

The efforts of the Board have succeeded so well that in the three years of 1936, 1937, and 1938, during the greatest period of labor unrest that the country has seen for many years, Massachusetts had the best record of lost time from strikes among all

the leading industrial states. In 1938, or the last year reported by the United States Department of Labor we find only two tenths of a day's work was lost from strikes per employe in Massachusetts. Ohio was next best with approximately three tenths while more than one whole day's work was lost per employe in Michigan. With two exceptions in the last three years there have been no disorders where police have had to be called.

Conciliation and arbitration has succeeded on a broad scale only comparatively recently. The principle was appreciated by the shoe workers of Lynn, Massachusetts, who were affected in the early sixties by a revolution in their industry. But the Civil War interrupted deliberations.

In 1880 the Massachusetts Legislature directed the Bureau of Statistics of Labor to investigate the practical workings of conciliation and arbitration, and the next year creation of a Board was recommended. It was established in 1886 and that same year the Massachusetts Board settled a scale of wages in a Weymouth shoe factory. This is the first instance of State Arbitration.

In 1887 the Board was given the essential power to interpose in a controversy without waiting for anyone's petition, for the purpose of conciliation or arbitration. It was further empowered in 1914 to investigate and fix blame, in cases where the opposing parties declined those steps.

The success of conciliation and arbitration in Massachusetts is a happy combination of a practical, workable law and a type of administrators who don't know what red tape is, but do know what men are. Sometimes they remind me of a fire department, the way they respond to an alarm. At the same time, the way they operate is very much like doctors carrying out a long range program of preventive medicine. At any rate, shirt sleeves is their costume and if any employer worked his help as long as they sweat, he'd be on the carpet before this same board.

"The way to handle a strike is to stop it before it happens," says James Moriarty, our Commissioner of Labor and Industries, in whose department the Board is a part. Usually before a strike happens both sides, if they have failed to make headway themselves, march up to the State House and lay their problems in the laps of the Board. Sometimes they do it on their own volition. Frequently they appear at the request of the Board. Under the terms of the law, mayors or selectmen are supposed to notify the Board when a strike or lock-out occurs or is seriously threat-

ened. But usually the Board hears first, and begins to open up its bag of tricks—psychology, cajolery, persuasion, frantic appeals and, above all, an atmosphere conducive to “give and take.”

Employer and union committees first sit down around a semi-circle of desks and talk to the Board members. The chairman is Gen. Charles H. Cole, who has had a broad career in business as a mining executive and in public life. He has been both police commissioner and fire commissioner for the City of Boston, chairman of the state racing commission, a trustee of the Boston Elevated Railway and adjutant-general of the Commonwealth. Enlisting as a private in the World War he finished overseas service as a brigadier-general. He has also been Democratic candidate for governor.

John L. Campos, the second member of the Board, after service as a textile operator, was secretary-treasurer of the Fall River Doffers and Spinners and subsequently organizer for the United Textile Workers and the American Federation of Labor.

The newest member of the Board is Lewis R. Hovey, who has had a long career as a newspaper publisher, after first being a newspaper man. He publishes papers in two cities near Boston and in connection with them operates a large printing plant.

Much of the success of the system is due also to Commissioner Moriarty. Whenever there is a serious situation he is in evidence, bringing to bear his wide experience and many contacts. For years he was a sheet metal worker and one of the early organizers and head of the sheet metal workers' union. He has also been president of the Boston Building Trades Council, the Boston Central Labor Union and the Massachusetts State Federation of Labor; and likewise president of the Boston City Council. He took up his present job in 1935.

Commissioner Moriarty says that his ace in the hole is always the Governor. Whenever he has been at his wits' end, he confesses, he has gone down to the Governor's office, which he has always found wide open in the three administrations under which he has served. He takes the opposing groups along with him and the Governor talks turkey to them, sometimes separately and sometimes together.

Often the committees of negotiators agree, but there is some doubt as to whether their organizations will back them up.

Then the governor goes right to the assembled employers, or union men, and recommends acceptance in the public interest.

That was a job which faced me the first week in office, and one of the toughest I have had to handle. Thanks to the fairness and ability of the Board in working out an agreement which satisfied the committees, it was possible to persuade all concerned to accept it—and the public were saved thousands of dollars and great inconvenience in what had threatened to be a disrupting truck strike!

The conciliators proceed to bring both sides as near agreement as possible before they use their other methods. Often there is a joint conference. If the parties are unfriendly, the Board relegates each to a room and acts as mediator, trotting from one side to the other in an endeavor to establish an agreement. While the state officials discuss possible concessions with one side, the other is not left to twiddle its thumbs. Instead, the men have found a pack of cards and a large table with plenty of chairs. A rummy, bridge or even poker game might get under way. Mellowed by relaxation, the participants can be persuaded to listen to reason.

Sometimes employer and union committees are so large that they are unwieldy. They are narrowed down to subcommittees. The remainder sit by, both sides mixing, waiting for possible consultations or to vote on proposals. The cards are still there and employers and union men find themselves facing each other across a card table. Later, when they meet again across a conference table, tension and bitterness are less apparent.

"We give them an opportunity to get things off their chests," one Board member said. "Some men do like to talk—especially when they can address an official who is compelled by statute to listen with interest and tolerance. After they have told each other their opinions, we can get down to business. They want to get together if they can. If we can give them a straw to grasp, some new idea or proposal, they might see the path to settlement. We believe capital and labor must co-operate in this industrial state and we are here to achieve that end."

Conciliation proceedings may run over many days. The Board, undiscouraged by a chorus of "noes," keeps the conferences going until every artifice is exhausted, until all hope is

lost. Since 1935 there have been only two cases which the Board hasn't been able to settle. As one of the Board members said, "Once we put our foot in the door, we keep it there until we finally make a sale."

The opinion of many succeeding Boards has been confirmed that an agreement reached by the parties in controversy is much more satisfactory than a judicial award of any Board. A legislative committee after thorough study has strongly disapproved of compulsory arbitration. But the Board insists, under the law, that the parties shall reach some definite conclusion—either settle the thing between themselves or agree to submit the matters in dispute to arbitration by a board selected by themselves or by the State Board. This arbitration can follow the attempts at conciliation or may be arranged on application of either or both parties.

Before arbitration is begun, both parties must agree that there will be no strike or lock-out pending the decision. Where operations have already stopped, the Board insists on immediate resumption of work without discrimination, pending arbitration. If the petitioners break their promise, the Board ceases activities unless the adverse party should agree to its continuing. The decision of the arbitration Board is binding for six months but the contract may be stipulated for much longer by agreement.

The law provides for the conduct of arbitration by local boards. The local board has exclusive and final jurisdiction, is entitled to the advice of the State Board in the disposal of the matter in dispute, and must file its decision with the State Board. Boards so constituted are not popular, because of the difficulty always encountered in attempting to organize one. Thus the method of settlement by local boards is used comparatively infrequently.

Under an amendment of 1892, each party may nominate expert assistants to the Board. The conclusions of the Board are submitted to them before a decision is rendered, and their comments and suggestions are considered. Precaution is thus taken against technical error.

If the parties refuse to join in a submission to arbitration of the questions upon which they have failed to agree, the State Board proceeds publicly to investigate. An investigation is a searching public inquiry, conducted in the city or town where

the strike or lockout exists. The parties are notified to appear before the Board and their testimony taken under oath. There is power of summons, but usually the parties appear without question.

Even though the processes of conciliation have failed and the parties in controversy have declined to join in submitting the questions in dispute to arbitration, it does not mean that the public investigation has made an amicable adjustment impossible. If, however, a settlement is not reached soon after the investigation closes, the board makes and publishes a report finding the cause and assigning the responsibility or blame. It usually adds a recommendation advising what ought to be done to adjust the controversy.

This recommendation does not have the legal, binding effect of an arbitration award, but it does possess a moral force that is tremendously effective—the powerful agency of public opinion. In the first two years after that amendment went into the law, the Board investigated 44 cases of strikes and lock-outs and reported responsibility or blame. In nearly every case the Board's recommendations were substantially adopted, and a settlement followed the conclusion of the hearing. In the last six years the Board has had to resort to compulsory investigations in only four cases. Confidence of employers and workers in the Board has grown so great that this provision has practically ceased to be necessary.

There is a substantial part of the Board's work which never meets the public eye. Employers and employes or representatives of both, daily seek the advice of the Board on questions affecting the employment relation. Many firms then begin to make a serious study of all of their employment situation.

The number of cases handled (and usually settled) by the Board each year has grown by leaps and bounds. In 1887, the first full year of its existence, the Board handled 17 cases. The number rose to an unusually heavy load of 225 cases in 1915. In 1937 the number soared to 524, in 1938 to 622, in 1939 to 675, while up to May 15 this year the four and a half month total has climbed to 335.

The facts show that this increase is because more employers and more workers have confidence in the Board. For years the Board was an unfamiliar institution, which only came into people's lives when something unpleasant was happening. They

dreaded it as many people dread the doctor or the dentist, although their reason tells them that the treatment is bound to do them good.

One commissioner tried to explain to a reluctant labor leader: "It may be unpleasant when we hold you fellows in the hospital here until you're better. But would you rather stay out until you're ready for the undertaker?" Gradually the story of the square deal spread. Confidence has snowballed.

The cost of administering the law has decreased in proportion to the increase in number of cases. That first year each case cost the state an average of \$500. In 1915 cases averaged from \$45 to \$55 apiece. Last year the average dropped to \$37—a mighty good bargain for industrial peace! It is impossible to estimate the hundreds of thousands of dollars which are saved by the elimination of strikes!

We have been able to keep the cost from rising because we have had commissioners who knew the value of a dollar. The entire staff, for example, consists of only three adjusters, three stenographers and one clerk. The Board also achieves many short cuts by working in harmony with other allied boards, including federal labor bodies and the State Labor Relations Board.

Incidentally, the functions of the latter body are quite separate. It was created to carry out the Massachusetts "Baby Wagner" Act, which is similar to the national Wagner Act. When an employer refuses to recognize a group of employees, the Labor Relations Board, by supervising elections, and in other ways, determines what is the proper bargaining agency. It also considers cases where employers are charged with discrimination against workers because of union affiliations; and in general deals with unfair practices in labor relations. The Board is semi-judicial, empowered to make mandatory rulings, with the right to hale non-compliers into court.

The trend is toward more conciliation cases, with less necessity for arbitration. The workers call on the Board more often than employers, but by far the largest number of appeals are made by both sides at once. Another trend is toward diversification. Originally, the docket had 90 per cent of boot and shoe cases. Last year the Board dealt with 81 different types, ranging from caskets, to brewers, to dentists, newspapers, and tacks: in fact, practically every craft in the state.

The remarkable feature of the whole system is that it really is compulsory, yet always self-imposed. Efforts at conciliation are mandatory, so it is compulsory at least to try to agree. In the next place, many employers and employes have made standing agreements to submit disputes to arbitration. In increasing numbers those agreements contain a provision that *all* questions which may arise in the future be submitted to the Board for final adjustment. There, certainly, the arbitration is compulsory. But the parties themselves have made it so. Finally, it is compulsory for the Board to investigate and report blame when all else fails, yet the report has no legal effect. Then comes the compulsion of public opinion, which is probably the strongest compulsion of all.

In these days we need a strong, united nation. In this country, at least, the way to achieve unity is not through the relationship of mastery and submission. It is by the art of getting along well together. That is what Massachusetts is trying to accomplish through conciliation and arbitration in its labor relations.

GOVERNOR STARK: Thank you, Governor Saltonstall for that very valuable and very informative address.

Because Governor Sprague of Oregon will not be able to fly out of here this afternoon, he finds he will have to leave at two o'clock, and would appreciate it very much if the Conference would permit him to give his address at this time instead of this afternoon. So if there are no objections, we will now call on Governor Sprague. As we all know, he has made a great reputation in the newspaper world, and is now making a greater reputation as a great Governor in the State of Oregon. His subject is "The Organization and Administration of Relief." Governor Charles A. Sprague.

(Governor Sprague's speech is to be found in the chapter on "What To Do About Relief" on page 41).

DISCUSSION

GOVERNOR STARK: According to our Program, we will now discuss "The State's Business" and the addresses under that subject. The addresses given to us this morning were by Governor Bricker and Governor Saltonstall. This afternoon we will discuss the paper just given by Governor Sprague.

We will now have the discussion, "The State's Business" portion of the program. Are there any points in Governor Bricker's

address that the members would like to have clarified by the Governor, or would like to discuss?

GOVERNOR COCHRAN: I would like to make a statement in reference to maintaining local government. In our own state, Nebraska, the responsibility for the institutions, other than those of higher learning, are entirely responsible to the local community, both as to financing and as to administration. The local community is entirely responsible for direct relief, the state entering in only to the extent of providing funds for Social Security. The result is that we do not have a sales tax, we do not have a State Income Tax, or Amusement Tax, or any of the so-called reforms. We believe too, that of more importance, we have maintained local government.

GOVERNOR STARK: Is there any other discussion on this subject?

GOVERNOR McMULLEN: Mr. Chairman, what to do to lessen the standing need is the problem we have to face. The various commissions are wanting more and more to have sessions with the Legislature. What can we do to lessen the desires of the people for more relief, and to create an honest desire to see that they get it? To see that the blind are taken care of, the deaf and the crippled children, the hungry, et cetera. Society is constantly bringing this to our attention. What can we do to lessen that desire for greater and greater demands for more money?

GOVERNOR STARK: Mr. Kelly. Mr. Kelly is Secretary of the state of Michigan, and is representing Governor Dickinson.

MR. KELLY: I would like to ask how many states represented here are so constituted that they are able to meet their own problems, such as relief? In other words, as it were, have the "where-with-all" necessary to take care of their community needs. Michigan is not in that condition. Various counties require assistance from the state at the present time. I would like to know before the Conference is over, how many states are in such a position.

GOVERNOR SALTONSTALL: May I ask what supervision or what check the state of Ohio has on the amounts it turns over to the localities from its budget of \$317,000,000? What supervision does the state exercise in that?

GOVERNOR BRICKER: There is no supervision. The direct appropriation is made by the legislature to the School Boards. The amount given is made on the basis of the number of pupils.

For relief, the state appropriated \$10,000,000 for each year, to be paid this month for the local expenditures of last month. Each local community reports to the Department of Welfare the expenditures of the previous month, and then against that total expenditure, the month's share of the state's appropriation is allocated. Some months it came to fifty per cent, and some months it has fallen down as low as forty per cent. But the state requires, that of all its contributions, the local community appropriate at least an equal amount. In the schools, the money is turned over on this fixed basis, without any conscriptions at all, through the State Department of Education. The state's authority in administration is only exercised, and could only be exercised through the withholding of funds. But it has never been done, and I can say confidentially will not be done, because I do not approve of that principle.

As a result of the Amendment to the Constitution in our state, the real estate taxes are limited to ten mills except upon vote of the people. By statute a sixty-five per cent vote is necessary for all levies and bond issues. One exception to that rule was the law of the last general assembly which reduced the vote, in cities only, for relief, to fifty per cent for 1939 and fifty-five per cent in 1940.

The limitation on the taxing power of the local subdivisions placed upon the state a burden of finding funds for the support of the local government. The ten mills were insufficient to carry on properly the functions of local government. Previous to this tax limitation the only state funds turned over to local subdivisions were in the aid of weak school districts. That aid was limited to a few million dollars. The state, in creating county government, school districts and townships, has seen fit to expressly grant their authority to act and to levy taxes.

In the administration of relief, we have been threatened of course, by demands in certain communities, against demands in other communities.

A GOVERNOR: Governor Bricker, before you take your seat, have you any counties in such a financial condition that they are not able to match their half of relief?

GOVERNOR BRICKER: There are some communities that have difficulty in meeting the appropriation. They have all done it because the state's payments are made subsequently on the basis of actual expenditures of the previous months up to fifty

per cent of the total appropriation. We have had no community that has not been able to take care of its obligations. There have been controversies as to the respective responsibilities of the state and the local community.

GOVERNOR BALDWIN: Governor Cochran, may I ask what proportion of the total taxes collected, local and state, is represented by the tax on real property and on intangible property?

GOVERNOR COCHRAN: I can't give you the exact answer, but I would say offhand, that taxes on property, real, personal, and intangible, would be somewhat more than two-thirds of the total.

A GOVERNOR: Is there a limitation on the amount the local communities can be assessed in taxes on real estate?

GOVERNOR BALDWIN: There is no limitation. We have no sales tax and no income tax, but the complaint in Connecticut from the taxpayers is that real estate and tangible and intangible personal property is bearing a portion of shares on taxation. I wonder if you have had any difficulty of that kind in Nebraska?

GOVERNOR COCHRAN: We have been threatened with attempts to face the same limitations on the total levy, both in municipal and county. But it seems to me that getting into that field is striking right at the local governments. I feel that municipalities, school districts, or county local governments in general, could have the right to reasonable limitations, the right to levy. When you place a ceiling on that level, why of course it naturally follows that the revenue has to be found someplace else, as Governor Bricker says. The mistake was made in placing the limitations in the first instance.

MR. KELLY: We have three counties in which schools are to take money in excess of ninety per cent, and the same is true of extra relief. I am just wondering what other local taxes you have in Nebraska, Governor Cochran, other than property taxes.

GOVERNOR COCHRAN: We don't have any. We found from experience that the property tax needs to be the only tax for local purposes. We would supplement very large state revenues, but we don't have any local taxes for road purposes, as all our roads are maintained by the state. The schools are maintained, a little more than sixty per cent, by the state. It is rather a complicated situation, and one of great responsibility.

GOVERNOR TOWNSEND: What states support their local re-

lief, and what states have left that obligation to the locality? In Indiana all relief—direct relief—is yet a local responsibility. We pursue the thought that the state had better finance other responsibilities than relief. We allocated to every school teacher in the state, seven hundred dollars, from the general state fund which is for that purpose.

We have a tax limitation on property. We call it the dollar and one-half on a hundred dollars. Of course in most states I think the tax limitations were brought on from the complaints of the property taxpayers. They use that as a means of self-protection rather than thinking too much about the amounts of money to be raised. However our laws do provide for cases of emergency. Our theory has been to allocate money back to local units that could be most easily supervised, because certainly it is a sound practice in business and in government for any unit that gives money to maintain some control of the expenditures of that money. In our state, the Federal government gives fifty per cent, and the state government thirty, and the local government twenty. It is spent by the local government under the supervision of the state.

GOVERNOR COCHRAN: In our state too, the state finances the total cost of old-age assistance. Crippled children and the blind are also taken care of. The state exercises a very limited degree of supervision. It is directed by the counties with only such general supervision as is necessary in order to satisfy Federal laws and Federal organization. We still have a practical local government.

NATIONAL DEFENSE *

GOVERNOR STARK: If there is no further discussion, it is my pleasure to recognize at this time, Governor Aiken, who desires to bring forth to the Conference, a statement from the Executive Committee. Governor Aiken.

GOVERNOR AIKEN: Members of the Conference, ladies and gentlemen: At a meeting of the Executive Committee of the Conference, this morning, it was felt that it would not be fitting for this Conference to be held at this time without taking some cognizance of the present international situation, and the relationship which that situation has to the welfare of our own country. The members of the Executive Committee present,

* See Governor Stark's speech on page 3. (His opening statement.)

unanimously agreed upon the statement which I will now read to you.

"Since there exists in the world today a crisis, brought on by ruthless and unprovoked aggression, which respects neither territorial integrity, the sovereign rights, or the peaceful intentions of neutral states, and seems to threaten the very existence of democracy itself, and

"Since it has been clearly and unmistakably demonstrated time after time within recent weeks that such aggression understands and respects only force, and that nations unprepared and consequently unable to defend themselves are speedily and without warning over-run, subjugated and destroyed, and

"Since the Governors assembled in this Conference are not only the civil administrators of the several states, but are Commanders-in-Chief of the national guards, and have a grave responsibility for the effectiveness of this and other important units of our national defense,

"It is, therefore, the consensus of opinion of this Conference, in view of the situation confronting our common country, that all necessary steps should be taken immediately to provide adequately and effectively for the defense of these United States."

GOVERNOR COCHRAN: Members of the Executive Committee, I am familiar with these statements which Governor Aiken has read. I think it is pretty generally known among the Governors that it has been the policy for thirty-two years, for the Governors' Conference not to reach any conclusions or pass any resolutions. It is a fact that in our by-laws there is no provision against this. However, the Executive Committee felt that the provision Governor Aiken has referred to in his statement would justify it. The fact demands that some cognizance be taken of this situation, and that a statement be released by the Executive Secretary, which, while not a resolution, would be following the course that is not against the by-laws of the Conference.

GOVERNOR TOWNSEND: Mr. Chairman, I would like to add a sentence to that. "To which end this Conference offers and extends its full and complete cooperation to the United States Government, to the Federal Government, if and when we should be called upon."

GOVERNOR STARK: Do you accept that addition to the statement, Governor Aiken?

GOVERNOR AIKEN: There are so many different ways of cooperation, Mr. Chairman, and so much misinterpretation that might be put upon that, I would rather the statement stand as I read it.

GOVERNOR COCHRAN: The question might logically be raised as to what way we will cooperate. I might say that I think you all know Governor Townsend who is a member of the Executive Committee, but he went fishing this morning, I believe, while we were in session. We discussed this informally last night, and with this idea in mind, the Committee made that change, Governor Townsend, and it goes without saying, I believe, that we will cooperate. But I do not see any great objection to it.

GOVERNOR STASSEN: Governor Aiken, request has been made that you read the statement again. (Governor Aiken reread the statement.)

GOVERNOR TOWNSEND: Are we going to give our cooperation and our assistance? Do we want to offer our cooperation and our assistance? I think we should do this in a general manner, not specifically, but back up the Federal Government in any way we can.

GOVERNOR AIKEN: I think we should have something specific in backing up the government in anything it proposes to do at this time, because some of us feel it may propose something that we might not feel we could go on with. We are all in favor of adequate defense, but I do not think we want to adopt or endorse any statements that are not very specific.

GOVERNOR HOLT: I am in sympathy with the suggestion made by Governor Townsend. I think national independence is a national Federal matter, and there is very little if anything that the Governors of the state can do until we are called upon by the proper authority to do something, and the leaderships must come from the National Guard. I agree whole-heartedly with the suggestion made by Governor Townsend of Indiana, that we offer our cooperation and assistance, whether it be utilized or not.

GOVERNOR STARK: As Chairman of the Executive Committee I will say, that in Conference this morning, the Executive Committee felt that the statement itself was the actual offer of

cooperation and it might be better at this time not to go further than the statement as read by Governor Aiken. I am sure that every Governor in every state in the United States is going to do his part in every possible way to prepare our country against attack and invasion. But I believe that at this time the statement does cover the point that is brought up by Governor Townsend and discussed by you.

GOVERNOR COCHRAN: In view of the fact that only the Executive Committee had the opportunity to look at this statement and to consider it, would it not be a good idea to prefer action on this until after luncheon and in the meantime pass some of these slips around so that the members of the Conference will have an opportunity to see what the language is, and whether it adequately and correctly expresses the views of the Governors.

GOVERNOR BALDWIN: May I make a suggestion? It seems to me, that some of us have ideas as to the best methods of cooperation, and would want to be consulted as I am sure we will be, by the Federal Government. Could we incorporate in that statement the idea that each state, and I know Connecticut feels that way, that each state pledge its support industrially and agriculturally, and from a military standpoint, to establish a program of national defense, leaving it to the latter to be accomplished through a co-ordination of all of the states.

GOVERNOR COCHRAN: Mr. Chairman, I have a motion to make. I move we prefer this until after lunch.

GOVERNOR STARK: If there is no further discussion at this time, and if it is the will of this Conference, we will let this matter go over until this afternoon's session. This will be the first order of business this afternoon.

(The following is the continuation of the discussion on National Defense held during the afternoon session.)

GOVERNOR STARK: The meeting is now open for discussion.

GOVERNOR TOWNSEND: Mr. Chairman, during the luncheon hour I discussed with several, in the light of the discussion we had just before we adjourned, the amendment to the statement offered by the Committee, therefore, I would suggest that there be added to the statement this phrase: "And the state pledges her resources, agricultural, industrial and military to that end." So that the last paragraph of the resolution will read:

"It is therefore the consensus of opinion of this Conference, in view of the situation confronting our common country, that all necessary steps should be taken immediately to provide adequately and effectively for the defense of these United States, and each state pledges her resources, agricultural, industrial and military, to that end."

GOVERNOR STARK: Governor Aiken, do you accept that amendment?

GOVERNOR AIKEN: So far as I can see, that amendment is perfectly satisfactory.

(Motion for acceptance was made, seconded and unanimously passed.)

STATEMENT ON NATIONAL DEFENSE

Adopted by the Governors' Conference, June 3, 1940

"Since there exists in the world today a crisis brought on by ruthless and unprovoked aggression which respects neither the territorial integrity, the sovereign rights, nor the peaceful intentions of neutral states, and seems to threaten the very existence of democracy itself, and

"Since it has been clearly and unmistakably demonstrated time after time within recent weeks that such aggression understands and respects only force, and that nations unprepared and consequently unable to defend themselves are speedily and without warning over-run, subjugated and destroyed, and

"Since the Governors assembled in this Conference are not only the civil administrators of the several states, but are Commanders-in-Chief of the national guards, and have a grave responsibility for the effectiveness of this and other important units of our national defense,

"It is therefore the consensus of opinion of this Conference, in view of the situation confronting our common country, that all necessary steps should be taken immediately to provide adequately and effectively for the defense of these United States; and each state pledges her resources, agricultural, industrial and military, to that end."

Second Business Session

HON. FRANK M. DIXON, *Chairman*
GOVERNOR OF ALABAMA

Monday Afternoon, June 3, 1940

Grand Ballroom, Hotel Duluth

Duluth, Minnesota

What to Do About Relief?

THE following is Governor Charles A. Sprague's address which was scheduled for the afternoon session but delivered at the morning session. (See page 29)

"THE ORGANIZATION AND ADMINISTRATION OF RELIEF"

Address by HON. CHARLES A. SPRAGUE
Governor of Oregon

GOVERNOR STARK, GOVERNOR STASSEN, FELLOW GOVERNORS, LADIES AND GENTLEMEN: The more I study the problem of relief the more I am reminded of those characters in Greek mythology whose plights are part of the common legend of mankind: Tantalus and Sisypheus. Tantalus, you recall, was punished for revealing the secrets of his father Zeus, by being plunged chin-deep in water. When he tried to drink, the water receded from his lips. When he sought to pick the luscious fruits that hung from boughs over his head they were raised just out of his reach. His plight suggests that of thousands of people in recent years who have become "reliefers."

Probably not a governor here but has had them haunt his office. We have seen their need, and recognized it as real, and then realized how inadequate are the efforts to satisfy that need. All of us have heard the stories over and over again: the relief check which will not quite cover the rent and the provisions; dental service needed and no money to pay for it; old people caught with their life's savings wiped out and not yet eligible for old age assistance. We governors have seen these beaten, despairing people for whom an adequate supply of life's necessities seems forever out of reach. Like Tantalus they appear doomed to continuous deprivation.

Then there was Sisypheus, crafty king of Corinth. Because he

deceived Zeus he was condemned to spend his time in the lower regions rolling a stone uphill, but never getting it to the top. Always it rolled down again and he had to start his task again. The modern taxpayer suffers the fate of Sisyphus, particularly with regard to this burden of relief. He toils manfully up the slope trying to reach the crest. A plateau is reached and each year he has to get under a heavier burden of public relief, until he too despairs.

We as governors are sympathetic with the sufferings of the modern Tantalus and Sisyphus. We see the reality of human need on the one hand and worry also over the burden which falls on the backs of those fighting to remain self-supporting. We also know that if Sisyphus, the taxpayer, collapses, Tantalus, the reliefer, is left without hope.

I have been startled at the expansion of costs of the various public relief programs in my own state. Back in 1932, which we regard as the depth of the depression, the total expenditure in Oregon for relief was probably not over three million dollars. The figures have not been compiled. For 1938 the total for all programs reported by the Bureau of Research and Statistics of the Social Security Board amounted to \$26,577,000 and for 1939 \$27,664,000. However, the latter figures do not include unemployment compensation benefits which amounted to approximately six millions more in 1938 and four millions more in 1939.

You recall how in the early '30's we said that if we could just get our factories to running again our relief load would ease off. Well, in Oregon the total payrolls of firms reporting to the State Industrial Accident Commission expanded from \$74,123,000 in 1933, the low point of the depression, to \$158,357,000 in 1939, or more than double. Yet the figures already quoted on the expansion of the public welfare program during the same period show how foolish was our expectation. It is evident, therefore, that hope is vain for any radical reduction in costs of public relief unless and until there is a radical change in public policy both federal and local. We must, therefore, regard public relief or welfare as a permanent addition to the list of publicly supported obligations, on top of the older burdens of education, care of criminals, insane and defectives, public health and recreation. Accordingly, it is important for those charged with executive responsibility in the states to develop sound, perma-

nent programs of welfare administration. That is the theme of my paper today.

I shall relate the history and experience of welfare work in Oregon, not only because I am most familiar with the conditions of my own state, but also because I feel this administration has been singularly successful. The credit goes chiefly to my predecessors in office, but I have been happy to build on the sound foundations they laid.

In pre-depression years the counties in Oregon, as in most other states, were responsible for care of indigents. The poor farm was a historic and dreaded institution. In cities private efforts for relief were often organized under the "Associated Charities." There was, however, a growing demand for mothers' pensions and for old age pensions to spare the impoverished aged the ignominy of being sent to the poor house. Our state struggled through the early depression years with county assistance, liberal private contributions and a measure of federal funds for loans or public works. In February, 1933, our state legislature made its first appropriation, \$15,000, to meet the costs of administering relief funds from other, chiefly federal, sources. At a special session in December of that year, following repeal of prohibition, a state liquor monopoly was set up and \$3,000,000 appropriated from its prospective profits. Since then the state's portion of welfare expenditures has been provided from proceeds of liquor control supplemented with appropriations from the state general fund. The aggregate of the appropriations made available for this biennium are \$9,260,000; and the state operates on a cash basis both for its general and its public welfare funds.

The type of organization set up in the "emergency act" of 1933 has remained the same. The state relief committee was constituted with seven members to be named by the governor. The county relief committees were likewise composed of seven members, four of them to be named by the governor, the other three to be the elected county commissioners or members of the county courts or their nominees. Responsibility for the administration was thus vested in the governor through his power to appoint the state committee and the majority of the county committees, including the chairman. The administration was by no means centralized in the state committee or the governor, however. The 1935 act gave the county committees the duty

of examining all applications for relief and fixing the amounts, with the state committee charged with the duty of approving the grants.

The present law authorizes the state committee to supervise administration and prescribe rules and regulations to be uniform throughout the state, and old age assistance grants are subject to state approval. The practice is, however, for the county committees to administer public welfare in the counties, without interference from the state committee unless they get out of line. The fact that the governor is the final authority is, of course, a powerful factor in preserving cooperation between the state and local committees.

In 1939 the legislature rewrote the laws covering relief. Recognizing the permanent character of the programs, the title of the agency was changed from "Public Relief Committees" to "Public Welfare Commissions." Members are appointed "on the basis of interest in and a knowledge of the field of public welfare," and hold office for four-year terms.

From the beginning public relief in our state has been administered on a non-political basis as far as the state organization could require. The first state relief committee, named by the then governor, Julius L. Meier, was composed of high-minded, public-spirited citizens. His successor, Charles H. Martin, appointed persons of similar type; and I have retained with only two exceptions, the appointees of my predecessor. The first state law on the subject by inference required a non-political administration. It specified that appointed members of county committees should not be removed by the governor except for cause and then only after notice and hearing. It also authorized the county committees to appoint "relief officers" who should be experienced and qualified persons, chosen solely on the basis of their executive and administrative qualifications, and with especial reference to their experience in relief work. That policy has likewise prevailed through the years.

As we look back now that law set an impossible requirement, for there were not a sufficient number of experienced and qualified persons to act as administrators of relief. The committees had to do the best they could, which meant to take the material available, train it or weed it out, and build up a competent, trained personnel.

It is because our state has operated on this basis, selection of

personnel by the administrative heads on their qualifications and not on personal or political patronage, that we object vigorously to the new imposition of the Federal Social Security Board for a new so-called merit system of staff selection. We know the new machinery will prove far more costly, thus reducing the amount of funds available for assistance to the poor; and fear that it will give us a less competent and less loyal and efficient staff. How can you by formal examination measure one's understanding of human nature, or the fine balance between sympathy and moral courage which are required of caseworkers and administrators? We have acquiesced grudgingly in the mandate from Washington and only under threat of denial of grants to our aged, our dependent children and our blind. I should like to see this conference adopt a resolution of protest against this dictation from the Federal Government. It is fair that the Federal Government, which contributes about 30 per cent of the welfare funds, should be sure that its moneys are properly expended; but that does not necessitate imposing a rigid system of personnel selection.

In Oregon virtually the entire welfare program is concentrated in the hands of the public welfare administration, state and county. General assistance, old age assistance, aid to crippled and dependent children, aid to blind, certification to WPA, NYA and CCC are all handled by the same organization. This gives a unity of administration, prevents duplication of staff and friction between programs. Federal cooperation is greatly simplified. Exceptions to this administration are unemployment compensation, hardly a welfare program, which is handled by a separate commission, and maternal care which is administered by the State Board of Health.

Moreover, state appropriations are made in lump sums, giving the administrative agency power to apportion funds among the several programs. Thus we avoid having appropriations for some categories excessive and for others deficient. While for some programs the demand can be charted with a fair degree of accuracy, for others, particularly general assistance, it is impossible to forecast the need exactly. A heavy winter storm may run up the cost many thousands of dollars in a single week. Flexibility in financing, therefore, has much value.

Sometimes this control works otherwise, however. Under the pressure for old age assistance our expenditures for that

purpose ran up to two-thirds of the total welfare expenditures, while the national average is just about fifty per cent. Realizing this was disproportionate the state committee adopted an order a number of months ago stopping receipt of new applications until the existing rolls could be reexamined. As a result the proportion for old age assistance has declined to around sixty per cent, a figure still somewhat out of line.

All grants are based on the existence of need, and in case of the aged, near relatives are obligated to take care of their needy kin. A saving clause of value is one in appropriation bills which limits grants "in any case only to the extent that funds for each such purpose are available." This prevents suits to enforce grants and a piling up of obligations.

Previously I referred to the administrative relationship between the state and county commissions. This same dual responsibility extends to the burden of finance. All general relief is handled on a fifty-fifty basis. For the other welfare programs where the Federal Government contributes one-half, the remaining one-half is divided—sixty per cent from the state and forty per cent from the counties. Administrative costs are all borne by the state save for some federal contribution. Cities are exempt from any control of relief administration and from any financial burden. We believe a division of financial responsibility is important in holding costs within reasonable limits.

It is significant in the history of Oregon relief administration that there has never been any breakdown either of organization or of supplies. There has never been any major demonstration in protest. There has never been any scandal over the handling of funds or the making of appointments. During the whole period the state has had but one state administrator, Mr. Elmer R. Goudy, to whose sound judgment is due much of the credit for the success of the Oregon administration.

One thing which I have worked out is the close coordination of the welfare department with other agencies dealing with employment. For example, the employment service, also under the governor's control, works closely with the welfare department. When seasonal work opens up, as it has recently in the berry harvest, the welfare department drops employables from its rolls in the regions affected and the employment service places

them in jobs. We thus lighten the relief burden and reduce to a minimum the importation of labor at seasonal peaks.

Our employment service has also been preparing a job census showing surplus and deficiency in particular trades. This information is to be used by the vocational education department in its training program. There has been for some time a shortage of skilled metal workers, while at the same time hundreds of unskilled workers have been supported by government welfare or relief programs. It seems to me essential to coordinate all agencies, public and private, for a constructive attack on the employment problem.

In this connection I wish to report that we have used to excellent advantage advisory committees for our employment service. These committees have accomplished much in getting employers and labor organizations to work together. Believe it or not, in certain lines of industry, notably general contracting, employers and labor unions have agreed to use the state employment service as the referral agency, the hiring hall. Control of the hiring hall, as you know, has been a bitterly contested point in labor relations. We feel in obtaining recognition of a neutral state service for this work, we have made an important contribution to industrial peace.

In summary our experience in Oregon justifies these principles for the organization and administration of relief:

1. Unity of organization, under a common authority, for administration of all programs, with appropriations available in lump sums, and the administrative authority given broad powers of regulation and allocation of funds.

2. Vesting authority in appointive, non-salaried commissions; with operating staff selected on basis of qualifications.

3. Division of administrative and financial responsibility between the state and counties.

4. Close cooperation with other government agencies looking to economic rehabilitation of those on relief.

I wish to add this comment respecting this business of relief. While there appears scant hope for "relief from relief" either for the taxpayer or the recipient of public aid, we dare not let the welfare programs be such as will encourage and develop a class of permanent mendicants. The spirit of relief administration should be that of self-help, to stimulate others to help them-

selves wherever it is possible. Keeping multitudes on public doles inevitably results in their deterioration as self-reliant and self-respecting citizens. The social consequences are as dangerous as the economic burden. Our social security in the future is going to depend quite as much on whether we cultivate the sense of personal responsibility for self-support among our people as whether we relieve the distress of the destitute.

GOVERNOR STARK: Now it is my great pleasure to call to the chair Governor Dixon of Alabama. Governor Dixon will you come forward, please, in the absence of Governor George Wilson of Iowa, who is unable to be with us.

GOVERNOR DIXON: I am certain that you enjoyed as much as did I, the excellent talks this morning. This afternoon our program deals with a subject that is of vital interest, and has also caused many a headache throughout the country. At this time, the program calls for a talk by Governor O'Connor of Maryland, on the subject, "Is the Present Relief Program—Federal, State, and Local—Adequate and Effective?"

"IS THE PRESENT RELIEF PROGRAM—FEDERAL,
STATE AND LOCAL—ADEQUATE AND
EFFECTIVE?"

Address by HON. HERBERT R. O'CONOR
Governor of Maryland

The American people, during the past decade, have been brought face to face with a relatively new problem. This problem not only has been of absorbing interest to executives and administrators of public affairs but the people generally have become conscious of its significance and implications. It has crowded many other questions off the domestic stage. I refer, of course, to the all-important question of relief.

Because the taxpaying public has been assessed for vast sums in recent years for relief and assistance programs, and because sufficient time has elapsed for public officials to have passed the experimental stage in dealing with the problem, it is timely to ask: "Is the present relief program—Federal, State and local—adequate and effective?" Such is the question which I am asked to attempt to answer in this discussion.

No one can help but regard the subject under discussion as one of major importance. We have witnessed during the past

seven years an extension of government activity in this area and an increase in expenditures such as was unthought of in the late 1920's. The growth has been so rapid, the enactment of legislation has been so fast, as to make it almost impossible to keep abreast of nationwide developments. That the present holds many problems and questions for the future cannot be gainsaid. Therefore, it becomes our responsibility to bring to bear upon this function of government the best critical analysis and planning of which we are capable.

There was a time within the present memory of all of us when expenditures for relief to persons in need were but a small percentage of the total cost of government. Figures are lacking for the years prior to 1933, but we know that in the years before the depression public relief was largely a matter of local responsibility and few, if any, State budgets made any provision for this purpose. Federal appropriations were, of course, completely absent from the picture.

Today, the combined Federal, State and local governments spend for public assistance and earnings of persons employed under Federal works programs, around \$274,000,000 per month (February 1940). And this assistance is extended to an estimated six and a half million households, comprising a number estimated to be 18,700,000 persons.

Estimates of unemployment during the 1920's show that even during that period of relative economic prosperity there was already a sizeable body of unemployed persons. It was not, however, until the downswing of 1930 and 1931 that the problem became so severe as to call for united national action. A few States led the way in providing funds for unemployment relief until finally, in July 1932, the Congress enacted the first emergency relief act, authorizing the Reconstruction Finance Corporation to lend Federal money to the States for the relief of unemployment. Events thereafter followed in quick succession; the bank failures of 1933, the creation of the Federal Emergency Relief Administration, the overnight springing up of State emergency relief agencies to receive and expend tax money for the relief of distress.

Looking back over this period we cannot but become aware of the new principles of government which thereby became firmly established in our political life. In the first place, we witnessed the legislative creation of a new form of Federal grant-

in-aid. Not that Federal grants-in-aid were new in themselves. We were familiar with them through long experience in the fields of highway building, agricultural extension, forestry, and so on. But the principle of Federal grants-in-aid had never been extended to the granting of relief. Secondly, we witnessed the introduction of sizeable amounts into State budgets for the same purpose. The resources of the cities and counties would have been totally inadequate to meet the problem as it then confronted us.

Inherent in this broadening of the financial base was a widespread acceptance of the belief that the causes of human distress were not local but national, and as such called for an united national approach. I do not believe that during this period we lost our fundamental adherence to state administration, and I believe that later events bear this out—that is to say, today, in our administration of public assistance, we have throughout this country a system which can best be described as one of state administration (or local administration—State supervised). Added to this basic system has been Federal activity limited to financial participation, plus the setting of minimum standards of administration and the introduction of a positive Federal leadership which is different from specific Federal control.

I do not wish to spend a disproportionate amount of time upon the past, but it appears to me to be important to review the background out of which our present administration grows. You will recall that after the few months of the C.W.A. program in the winter of 1933 and 1934, the country returned to a program of work relief and direct relief which continued until 1935, when the President announced his plan for, and Congress enacted, two major pieces of Federal legislation: the Emergency Relief Appropriation Act of 1935, creating the Works Progress Administration and the Social Security Act. By the end of 1935, therefore, we had established, by Congressional enactment, a four-sided foundation for our program of security and relief, namely:

1. A program of social insurance—against unemployment and old age.
2. A program of public assistance for the aged, the blind and dependent children.

3. A program of progressive public services in the fields of public health, maternal and child welfare, and vocational rehabilitation.
4. A program of work for a portion of the needy unemployed which program included the National Youth Administration and C.C.C.

Provision for those in the general relief population was left out of this coverage. States rapidly followed with legislation enabling them to take advantage of the Federal offer of participation, until today all 48 States, the District of Columbia, Alaska and Hawaii are now granting old age assistance, 42 jurisdictions grant aid to dependent children, and 43, public assistance to the needy blind. The history of this period can be read in the many changes in the names of already existing state welfare departments, in the erection of new departments, in the items which began to appear in state budgets for the first time.

So much for the events leading up to the present day administration of relief and public assistance. I have organized the content of what I have to say around two major topics: First, an evaluation of administration as well as Federal-State and State-local, relationships; and secondly, a discussion of what I regard to be unmet needs and directions for the future.

In examining the Federal legislation under which we operate, the first primary observation that can be made is that there are two distinct types of administration provided. One is that of direct Federal administration—the W.P.A., the N.Y.A., the C.C.C., Old Age Insurance, Farm Security, are of this nature. While the W.P.A. calls for some local sponsorship and financial contribution, it is nonetheless a Federally administered program. The other is a system of Federal-State cooperative programs, namely, unemployment compensation, old age assistance, aid to dependent children, and mothers' and children's health service.

There is a third type of program which has almost disappeared, but which is still mentioned here as a possibility. I refer to the occasional advocacy of complete local administration, without either State or Federal supervision. Doubtless the greater number who have adhered to this viewpoint will not go so far as to recommend a complete return of administration of relief and public assistance to local government, but there

are those who would welcome it in the area of general relief. In considering any such proposal, however, it is well to look at our experience of the past few years, and also our experience in public health and public education. If we begin with the assumption that state financial participation is essential, then we must reason to the conclusion that each needy person in the state, no matter where he lives, is entitled to a minimum availability of funds and a minimum standard of administration.

It is not necessarily true that by this type of state leadership we sacrifice our belief in local government and local self-determination. I do not believe there is any State in the Union where people subscribe to this principle of local government more than we do in Maryland. But we achieve this through certain carefully thought out practices which work toward an efficient and satisfactory combination of local-state efforts. In Maryland we believe, and believe strongly, in local administrative boards. The program is too new, the untried areas too many, to attempt to operate without the leavening influence of lay opinion. We place the primary direction of the program in the hands of an administrative board of seven citizens, carefully selected by the county commissioners from a list of eligible persons submitted by the State Department. The executive director of the county is responsible to the members of that board, and they in turn are answerable to the State Department.

The State Department promulgates general rules and regulations and the local board is free to make additional policies not contrary to the State plan. The State Department periodically audits accounts, maintaining a staff of field supervisors whose duty it is to see that the local unit conforms to State requirements. By this combination we believe that we assure to the citizens of our State a measure of desirable uniformity, and a capacity for State-wide planning which would not otherwise be possible.

The basic conception of State-local relationship, as developed in Maryland, is that administrative responsibility should rest primarily on the local political subdivisions, which should also bear some part of the financial burden; the function of the State Department should be advisory and supervisory over the local administrative bodies.

I believe that some of the same character of relationship can be created between the States and the Federal Government. At

times certain actions taken by the Federal departments may seem to permit too great Federal control. There is a danger that we may jump to too hasty conclusions, that we do not study carefully enough the purpose behind these acts, that we may very well find ourselves opposing constructive moves which would tend to strengthen, rather than undermine, the hand of the States. It goes without saying that the Federal agencies are grappling with perplexing problems, as likewise are the States. They should be measured and judged by the sincerity of their intentions and objectives, and by the amount of thought and study which goes into their decisions. Present and future conditions may require that the States look to Federal financial participation and the setting of minimum standards of performance by the Federal agencies, combined with a positive leadership in general direction. At the same time the States can maintain their conviction that a high degree of self-determination on the part of the States is imperative. I should like to see the Federal departments withdraw gradually from the field of direct administration, and supply to the States the type of advisory and supervisory service, along with financial participation, that Maryland renders to its local agencies. The Federal Government is in a position to lay down broad principles of national policy, and to study effective methods of carrying these into effect; but it should not be necessary for it to administer the programs directly, at the expense of State and local initiative and responsibility.

In saying this, I would distinguish between those programs in which the objective is primarily national, that is to say, within the powers delegated to the Federal Government exclusively, and those where the general welfare of individual citizens or groups of citizens is involved. In the latter field cooperation is essential, and the primary administrative responsibility should rest upon the States, within the broad outlines of policy laid down by Congress. Too much centralization in the Federal Government will not only upset the balance of Federal-State relations, and tend to destroy the spirit of local self-government, but it will throw such additional burdens upon the Federal Government as to interfere seriously with the performance of strictly Federal functions, such as national defense, for example.

Let us examine for a moment the basis of Federal financial participation. Certainly it is regarded as a step forward that the

Federal share of expenditures for the three types of public assistance is now on the same basis—one-half for all categories, instead of one-third for aid to dependent children, and one-half for old age assistance and the blind, as was formerly the case. This was a difference which had no reason and it is a matter of satisfaction that dependent children will now benefit in the same proportion.

The bases of sharing in the costs of administration, however, have not yet been made uniform. The States still receive, as the contribution of the Federal Government toward administration of old-age assistance, 5% of the total Federal assistance payments during the period, whereas in the case of aid to dependent children and the blind, the Federal Government pays one-half of the actual expenditures for administration. These three should be made uniform, due to the fact that unnecessary complexity arises from lack of such uniformity. Whether this should be accomplished by making old age assistance like the other two, or by making the latter two like old age assistance, is a moot question.

The difficulty which the departments encounter when the Federal Government offers to pay one-half *actual* administrative costs is an expressed need on the part of the Federal agencies to examine what items of administration go into the total. Methods for determining these costs are still questionable, and elaborate systems of time studies are burdensome to the agency. Most States have multiple administration—that is, all types of relief and assistance, including the referral of persons for W.P.A., the distribution of surplus commodities, and so on, are lodged in the same department. To isolate the separate costs of each type of program is a complex problem in cost accounting which has not yet been solved satisfactorily.

On the other hand, there are weighty arguments against the use of a percentage of total expenditures as a way to determine what administrative costs ought to be. This has frequently been pointed out, but to illustrate one of the weaknesses of the use of a percentage as a measure of administration, let me use the following example: Let us say that in one hypothetical department of public welfare every \$1,000 of expenditures in a given month is divided as follows: \$100 for administration, and \$900 for assistance to 100 families at \$9 per month. Thus the administration is 10% of total expenditures. But let us assume that due

to a sudden realization of how inadequate a \$9 per month grant is, this department increases the grant to \$18 per month, or double what it was before. It takes no more administrative money to care for the same 100 cases. But now, of a sudden, the agency expends not \$900 for assistance but \$1800; it still spends its \$100 for administration out of a new total of \$1900, and its percentage is now only slightly over 5% instead of 10% as before. Thus the mere moving up or down of the average assistance grant so affects the percentage that it is open to question and furnishes no basis of comparing one State with another.

After weighing carefully, however, the complexities faced in attempting to arrive at a mutually acceptable administrative cost breakdown, on the one hand, as against the financial penalties incurred by States of very limited resources under the 5% basis of payment, I am very definitely in favor of the Federal Government's participation in administrative costs in all the categories of relief on the basis of one-half of actual cost. The percentage basis of total expenditures still in effect in the field of old age assistance seems to me to be unrealistic and unsound, and should be abandoned.

So much for Federal financial participation. What of the sharing as between States and local units? Looking at the country as a whole we find some States in which the total cost is borne by the State. In others, the local community also pays its share. In Maryland we use the latter method. We believe in some assumption of the cost by the local unit, by which the people were made relief conscious, but there are numerous criticisms which can be made of the present method, criticisms which are applicable to many other States.

At the present time, in Maryland, the laws governing old age assistance and public assistance to the needy blind require the local units to contribute a stated proportion of the total costs. In old age assistance, for example, the local units pay one-sixth, the State one-third, and the Federal Government one-half. Now, it is a well-known fact that in every local community a one cent levy on \$100 of assessable property will raise varying amounts, depending upon the wealth of the community. In the poorer communities it will require a considerably higher tax in order to raise a sum sufficient to provide assistance for needy persons. In Maryland, for example, one local unit is taxing it-

self 8.45 cents on real property in order to raise the necessary funds for old age assistance, and doing it less adequately than another community which needs to tax itself only 1.41 cents. It is also true that the poorer community will have a higher incidence of need.

It would therefore seem wise to explore the possibility, where local units are contributing to assistance costs, of equalizing this tax burden. This could be done by establishing a standard levy upon each \$100 of assessable property, and requiring this, uniformly, of all local units. Other means will then have to be found for supplying the difference. It would seem desirable to urge that the Social Security Board make a thorough study of the different methods of financing and place at the disposal of the States factual material which will aid in arriving at a sound basis of financial sharing.

Another shortcoming which one sees in the financial situation, viewing the country as a whole, is the disproportionate amounts appropriated for the varying types of assistance. Frequently the amount of money allotted to dependent children is proportionately much less than that for other programs. General relief is certainly much less adequately provided for than the special forms of assistance. In Maryland, I am glad to say, we have State funds available for aid to dependent children equal in amount to that which we provide for the aged. I do not believe we can allow our sympathies for one special group to lead us into the error of providing adequately for one at the expense of another. It is one of the most difficult things for the citizens of this country to understand—especially when they see a concrete instance where living side by side is one aged individual who receives \$20 per month, whereas in the same block lives a family with four or five children, where the grant is no more than that and oftentimes even less.

And this leads me directly to the second part of my discussion today—that having to do with unmet needs. I regard as one of the outstanding deficiencies today the inadequate provision made for general relief. For some reason the public still thinks of the individuals who are receiving general relief as a large body of able-bodied unemployed who are living on the so-called "dole." In Maryland we find this is not true. A recent study of the general relief rolls revealed the fact that by far the greatest proportion of recipients of general relief are in-

dividuals who are incapacitated, or families who have no able-bodied wage-earner. We found a great preponderance of persons in middle age who were bedridden, or if not actually bedridden, at least too handicapped to be employed. We found that general relief was an essential supplement to a work program for the unemployed, chiefly to take care of cases of temporary illness, and periods of waiting for assignment.

Furthermore, it must be emphasized at this point, that in addition to the unemployables on relief, there are also many able-bodied persons receiving assistance through local and state funds. The Federal Government established the W.P.A. presumably on the theory that it would take care of all needy employables. Actually the W.P.A. has never taken care of all the needy able-bodied unemployed, and the States have been compelled to assume this additional burden. Due in large measure to this W.P.A. deficiency in many States, the relief problem both of the needy employables and the unemployables, has become so great that Federal funds are badly needed to avoid genuine and wide-spread suffering.

Many feel that until the Federal Government shares in the cost of general relief we shall continue to have this uncovered area. They argue that there is no less reason why the Federal Government should share in this type of public assistance than in others. As has been pointed out frequently, one reason for Federal participation in assistance is to make available its greater taxing powers. Another is that the causes of unemployment are nationwide in their origin and often the poorest areas are least able to bear the cost. Moreover, the Federal Government has placed itself on record as taking care of the needs of the unemployed. This responsibility should extend to the needs of those awaiting assignment, those too far from projects to be assigned, those who lose wages through illness. There is a wide-spread feeling that the States should assume an active role in urging such Federal grants-in-aid.

Another aspect of this general situation, the existence of which indicates that the present program is not adequate and effective, is that presented by migrants. Some idea of the extent of this problem is gained when we are told that in one State (California) during the four and a half year period from July 1, 1935 through 1939 more than 350,000 migrants in need of manual employment entered the State by automobiles at border

checking stations. Obviously, a great many more actually entered the State by other modes of conveyance and were not checked by Department of Agriculture representatives. We of the Middle Atlantic Seaboard States had a somewhat similar problem although not to the same degree as California.

This migration of large groups brought with it increasingly difficult problems including housing, health, education and relief. The ingress of such a great number of persons into California presented a perplexing problem, particularly because the groups were accustomed to work in a non-mechanized and non-irrigated agriculture and could not satisfactorily be absorbed in communities where there already existed serious problems. It would seem to be unreasonable to penalize States such as California by allowing them to be saddled with the burdens of other States without any help from those States to care for needy persons who may have been born and lived all their lives in another section but migrate to California or elsewhere when they are in want.

It need hardly be mentioned that we must be concerned with the cost to the taxpayer of these extended services, and none of us is unmindful of that fact. However, we must recognize to the full that the future of our democracy depends in no small measure upon our ability to solve our social problems. We cannot long endure as a nation with hungry persons in our midst. Simply stated, our single, over-all objective is to stimulate private industry to provide work as rapidly as possible for all those able to work. Until that desirable goal is achieved, we must continue to carry on public work and to insure against unemployment. With that in mind, we cannot allow a decrease in the number of W.P.A. jobs until the number of unemployed decreases proportionately. With full recognition of the existing differences in estimates of the number of unemployed, it is still true that only a portion of the unemployed are assigned to public work. If we go into a large defense program the unemployment situation may change completely, and when expenditures for employables decrease many inadequacies in the present program for the unemployables can be corrected.

Undoubtedly, more and more benefits can be realized if we develop our public employment services to the greatest possible extent. The periodic "cut-offs" from the rolls of W.P.A. have

also resulted in much detriment to social work administration. Unexpected lay-offs find the worker with very little, if any, savings and entail definite distress during the period of lay-off when experience has shown that additional need for medical care is apparent. Furthermore, this constant turnover has definite psychological disadvantages. It would seem to be a much-hoped-for day, when steady and evenly balanced work programs can be the expected thing, making for continuity of occupation with its encouragement to the individual and his family.

Moreover, we cannot lose sight of the fact that, even when industry operates to the fullest, we shall still have a continuing need for assistance. In the first place, the proportion of the aged in the population is constantly increasing. In America the proportion of older persons has increased markedly. Whereas in 1900 we had slightly over 3,000,000 persons over the age of 65, we now have over 8,000,000, and authorities estimate that by 1980 one-seventh of our population will be over the age of 65 and one-third of our entire population will be over 50 years of age. With the struggle which younger wage earners are having to support their own growing families, we cannot expect the entire burden of old age to fall upon sons and daughters. A large portion of support of aged persons for some time to come will continue to rest upon relatives, but eventually an even larger group will be provided for in their old age by insurance payments.

Another serious contributing factor to the continuing need for assistance is the increasing difficulty which persons over 45 find in keeping their jobs or securing new jobs in private industry. While every effort should be made to encourage industry in its efforts to absorb this group, we cannot close our eyes to the modern mechanizing of industry, the raising of standards of health and competence which give the advantage to the younger wage-earner.

One of the still uncovered areas of government provision for the welfare of our citizens is that which has to do with medical and hospital care. A recent nationwide survey of health, conducted by the United States Public Health Service, which tabulated its results from 800,000 house-to-house interviews, showed that disability illnesses occurred among families on relief at a rate 57% higher than among families with annual

incomes of \$3,000 and over. Much of the present necessity for aid to dependent children is due to incapacitation of the wage-earner.

This can have but one meaning for an intelligent nation: That money spent in preventing disease before it occurs and in providing medical care before health has been permanently destroyed is but the essence of good national economy. I realize that there are many differing points of view with respect to the manner in which this increase of medical care can be provided for the low income groups. It would seem, however, that a solution can be found to the problem of preserving the relation between physician and patient, and at the same time make it possible to preserve the health of our community by the fullest use of the great advances in medical knowledge.

In testing the adequacy and effectiveness of the Social Security program, we must, of course, recognize the fact that large groups of workers are not as yet covered by the provisions of the Unemployment Compensation laws. Groups omitted from this coverage are agricultural workers, domestic servants and employees of non-profit organizations. Furthermore, no plan has as yet been devised for the coverage of self-employees and certain other groups. If Unemployment Compensation is a desirable undertaking of government, as I firmly believe it to be, then it must follow that employees who have just as much right to protection against enforced idleness ought not to be discriminated against simply because of their type of employment. Personally, I am of the belief that our Social Security program will not be adequate and completely effective until it covers the entire range of those employees not now covered whose interests demand that they be given the protection afforded others.

This country came a long way when it moved from the period of emergency relief to a more permanent plan of public welfare. Now we have before us the continuing task of assuring a decent administration of assistance, with the least possible damage to the self-respect and initiative of the beneficiary. To maintain this self-respect, those in charge of the administration of assistance, as well as the general public must free themselves of the now outmoded idea that the need for assistance is a fault of the individual and move on to an understanding of basic social causes. Most men wish to work. The nature of the human being is such that enforced idleness for the greatest proportion of men

and women is the most exacting punishment to which they can be subjected. Useful occupation is a right and wish of all citizens.

In attempting to answer candidly and thoroughly the question as to the adequacy and effectiveness of present relief practices, we cannot escape the question as to how the personnel or administration of the relief program ought to be selected and maintained. I refer to the question of civil service requirements or, as an alternative, politically dictated set-ups for administration. I submit that the handling of relief problems should be kept definitely out of the field of politics. The selection of officials to administer these programs ought to be strictly upon the basis of merit and of demonstrated fitness for the important class of work involved. Social workers, in the best sense of the word, and persons with business experience and judgment ought to be selected to disburse the public moneys in such great amount rather than politically selected workers with no training in this specialized field.

It is not an exaggeration to say that a social program will be only as successful as are the people who are entrusted to carry it out. An important reason for eliminating political consideration is that, if politics is a guiding consideration in the administration of relief, public welfare activities will be largely discredited. In Maryland, I am happy to report, the entire personnel from the head of the department down to the humblest employee is included in the State Merit System. Appointments are made after all applicants are subjected to competitive examinations and the appointees are fully protected by law so that partisan politics occupy no place in the administration of our public welfare program. I repeat that this desirable situation does more than any other one thing to insure the integrity of administration in a way that will guarantee general public support.

The challenging question with which we are faced, it seems to me, is how effectively a democracy such as ours can cope with these vast social problems. I do not believe that it is out of keeping with the principles of democratic government that we should find this way. On the contrary, it is not only a legitimate, but a primary, function of government to provide such a broad program of welfare for the people. We can bend our best efforts in this direction, even though we believe firmly that only a job

in private industry, at decent wages and under wholesome conditions of work, can be the true prevention for continuing dependency.

The final statement of the Washington Conference on "Children in a Democracy" holds these to be the convictions of the American people:

"That democracy can flourish only as citizens have faith in the integrity of their fellow men and capacity to cooperate with them in advancing the ends of personal and social living.

"That such faith and such capacity can best be established in childhood and within the family circle. Here the child should find affection which gives self-confidence, community of interest which induces cooperation, ethical values which influence conduct. Secure family life is the foundation of individual happiness and social well-being.

"That even in infancy, and increasingly in later years, the welfare of the child depends not alone upon the care provided within the family, but also upon the safeguards and services provided by community, State, and Nation."

Only to the degree that we successfully cope with the many serious social problems created by our changing modern system of living can we, as public officials to whom has been entrusted the guidance of our people, truly claim to have carried out our mission. Only to the degree that we find adequate solutions for these social problems can we claim success in a changed world, where social economy has come to be perhaps the most important consideration of all.

In the light of the thoughtful attention that is being focused upon these and other weighty matters of government and administration here at this Governors' Conference, as well as in the halls of Congress in Washington, I am confident that the responsible heads of government will not fail in their task, but that the desired objectives will be reached and our people of every age and condition benefited immeasurably thereby.

Obviously all phases of this important topic have not been covered in this discussion but if I have presented some thoughts that will be provocative of further constructive discussion, some slight contribution has been made to a tremendously important cause.

GOVERNOR DIXON: We certainly appreciate the thoughtful and comprehensive discussion given us by Governor O'Connor.

I take great pleasure in introducing to this Conference, Governor Eurith Rivers of Georgia, who will speak to us on "The Problem of Taxation and the Problem of Relief." Governor Rivers.

"THE PROBLEM OF TAXATION AND THE
PROBLEM OF RELIEF"

Address by HON. E. D. RIVERS
Governor of Georgia

GOVERNOR RIVERS: Mr. Chairman, Governor Stark, Governor Stassen and fellow Governors: Although I have been Governor of my state for nearly four years, and will soon be in a category of the ex-Governor, this is the first time that I have had the pleasure of meeting with the National Conference of Governors. Heretofore I have been represented by others around this table, and on this, my first appearance, I want to express gratitude to you for the fine work that is being done by the Conference and your Committee. We have especially been impressed by the fine work done in the elimination of trade barriers. The work has been praised throughout the country, so on behalf of our people of my state, I want to make this expression of appreciation for the work that you have done. We especially appreciate Frank Bane, the Executive Secretary.

An analysis of the problem of relief and its relationship to the problem of taxation reveals that, deliberately or through inability to realistically interpret accumulating facts, we are not meeting the fundamental problem involved. To a large extent, public officials and the public generally still view relief as a temporary condition that can be met with temporary measures—a condition that is merely a passing phase. The facts deny this attitude. It might be well to recall a passage from the Bible: "The poor you have always with you." Here are a few facts:

1. A study in 1935 of amounts expended for outdoor relief by sixteen large cities with a combined population of 21,500,000, representing 17.5 per cent of the total population and 31 per cent of the urban population in the United States, shows a steady rise from 1911 to 1931. Per capita expenditures for outdoor relief in these cities were 10 cents in 1911, 21 cents in 1917, 35 cents in 1919, 75 cents in 1926, 96 cents in 1928 and dropping to 90 cents in 1929, \$1.30 in 1930 and \$2.94 in 1931. Note that

the increase, with the exception of one year, was continuous for twenty-one years.

2. In the above cities, from 1911 to 1931, population increased 45 per cent, all governmental cost payments 300 per cent, and relief payments over 4,000 per cent.

3. The trend of per capita payments in the 94 cities having a population of over 100,000 also is significant. In 1926 these cities spent \$2.41 per capita for hospitals, relief and other welfare activities. This amounted to 5.8 per cent of total per capita payments. By 1937 the per capita payments had increased to \$11.41 or 21.2 per cent of total payments for all governmental purposes.

4. In Georgia, during the year ending June 30, 1939, the State spent \$4.37 per capita for health, welfare institutions and public assistance payments, which amounted to 21.4 per cent of all governmental cost payments.

The conclusion is clear that it is high time to recognize and accept relief and related welfare activities as government responsibilities and permanent functions of government. Perhaps we should also minimize use of the word "relief" and emphasize "social welfare" functions. The connotation of relief as something temporary is what we ought to avoid. The popular acceptance of the existing social security program places the social welfare functions on a basis comparable to highways, health and education.

The extent of the welfare problem today is indicated in the following statistics. From 1933-1937, a total of \$13,416,000,000 have been spent in this country for general relief, work relief and categorical assistance. Of this amount, 26 per cent came from state and local funds and 74 per cent came from federal funds. Over \$169,000,000 was spent during this period in Georgia alone.

The source of funds is significant. In June, 1939, 7,677,000 persons were receiving assistance or earnings from various relief programs. Out of every 100 persons receiving aid, 34 were on W.P.A.; 29 were receiving categorical assistance under the social security program; 6 were employed on construction projects supported wholly or in part by federal funds; 4 were students receiving N.Y.A. aid; 3 were employed on N.Y.A. work projects; 3 were in C.C.C.; 1 was receiving subsistence payments from the Farm Security Administration; and 20 were receiving general

relief through state and local programs. The above programs, exclusive of food distributed by the Federal Surplus Commodities Corporation, cost \$304,279,000 during the one month of June, 1939.

The significance of federal participation should not be overlooked. It was begun in order to prevent widespread suffering and want, and has developed into an attempt to equalize standards of relief so as to provide some adequate standard throughout the country. "Adequacy" recalls Mark Twain's definition of adequate pay as just a little more than one is getting. The increasing and continuing relief burden beyond the fiscal capacities of states and local governments necessitated the provisions of federal funds. The Federal Government could provide the funds because of its greater taxing and borrowing capacity. Moreover, the tax structure of the Federal Government enables it to raise funds on a basis more closely approaching ability to pay. Because of interstate competition, in addition to differences in financial resources, there are limitations on the use of some taxes by states. For example, too high an income or inheritance tax may cause changes in residence. Furthermore, the raising of funds should be related to the area of interest, and *relief in many of its aspects is a national problem*. Federal participation in financing social relief is an attempt to relate needs to ability to pay. States with the greatest proportionate need often have disproportionate fiscal resources.

The problem of financing relief and related social welfare activities is part of the problem of financing all governmental activities. The solution is not simple. Local governments complain that states are usurping their sources of revenue and are burdening them with compulsory expenditures. States make similar accusations against the Federal Government.

Present-day government must readjust governmental services as between the Federal Government and the states, and as between the state and its local subdivisions. Likewise, fields of taxation must be adjusted as between the Federal Government, the state government, and the local governments within the states. Proper fields of taxation should be accorded the Federal Government free from invasion or duplication or pyramiding by the states or the local governments within the states. With definite governmental services adjusted and with definite fields of taxation allocated in this manner, more uniformity and

greater equity will exist both in the governmental service and in the burdens of support of the governmental services. The citizen will be able to more easily appraise the cost of respective governmental services and the efficiency and economy of the administration of these services.

The objective of any tax program should be to tax those who have the greatest ability to pay. This is not as easy for local governments which are limited largely to the property tax. The local government problem has been complicated by tax limitations, homestead and other forms of needed tax exemption. Nor is it as easy for some states to tax on the basis of ability to pay as for others, or for the states as compared with the Federal Government. *A major part of our tax problem is the need for equalizing services and costs between rich and poor areas within a single state, and within the nation as a whole.*

Carl H. Chatters, Executive Director of the Municipal Finance Officers' Association and a recognized authority on matters of taxation and public finance, has summarized the intergovernment tax struggle in the following words:

"A conflict over the distribution of public revenues and public services is already under way. There is, on the one hand, a conflict between the federal, state, and local governments over the various sources of revenue and the agency selected to perform certain services. The superior governments hold the whip hand in this struggle. There is also imminent a more bitter struggle at the horizontal level; that is, between all of the public agencies located within one geographical area. By this is meant that there is a constant battle over the distribution of local revenues between the city, the school, the county, the park districts, the firemen, the policemen, the social service people, and the sanitary districts. The public school people are probably the most firmly intrenched, and take the attitude that the schools are entitled to whatever portion of the public revenues they can obtain by political pressure. The policemen and firemen are well organized and because of the spectacular nature of their activities they are able to obtain special legislation from state law makers. Representatives to the state legislature are closely linked up with the county political organizations and therefore give county officials a greater strength in the state legislature than some other groups enjoy. On a national scale the unemployed and the recipients of public welfare are so nu-

merous that their demands are not over-looked by any legislative group whose membership consists of elected persons. This leaves the more general activities of the cities supported from the property taxes at a disadvantage and means that the people who are not allied with one of the most strongly entrenched groups will find their budgets being continually restricted due to the pressure of the other groups. All of this simply means that democracy can succeed only through the fairness, intelligence, tolerance and vision of public officials and citizens."

All of this resolves itself into the need for improved budgeting for the use of available financial resources. To some extent public bodies are able to raise the funds required to perform desired services. To a larger extent, and this is particularly true during a period of depression when relief demands are greatest, legislative bodies and public officials are faced with a limited amount of revenue. The problem then becomes—how can we utilize available funds most effectively for the greatest common good? Basically, this involves a determination of priorities—how much shall we spend for this and that service and what services can best be curtailed and which must be expanded to meet a current situation. Essentially, the same considerations are involved in budgeting even during a period of prosperity.

The widespread practice of allocating to specific programs the yield from designated taxes or fees is contrary to sound budget principles. An important principle of proper financial control is that the amount to be spent by any department or upon any services shall be considered on the merits of the case, and with due regard to the whole volume of expenditures to be made. When a department is permitted to have and to use the entire yield of an imposition, whether it be tax or a fee, all possibility of determining the wisdom of its expenditure or the real usefulness of its service, vanishes. This policy may result in under-supplying a service, as well as over-supplying it. Yet in Georgia, in the 1938-39 fiscal year, only 30 per cent of receipts went into the general fund and 70 per cent went in allocated or earmarked funds. As pointed out in the last report of the Georgia State Auditor "The functions and activities . . . of the state government vary in degree of importance at all times, and vary relatively from year to year. A service which may be essential this year, may become less so or entirely dispensable by next year . . . until allocations are wholly eliminated from our

fiscal system, we are never going to be satisfied that our tax dollar is split up properly to pay the cost of currently essential services, and of a certainty we will not be tolerant of new forms of taxation so long as the system exists."

A special tax allocated for a specific purpose might be justified as a temporary expedient, but it has no place in a permanent program. Neither a welfare or any other program can be planned with an earmarked tax because the availability of funds is uncertain. When business conditions are bad and the need for money is greatest, an allocated tax may yield the least revenue. But if appropriations are made from a general fund, the relative importance of one service as compared with another can be reflected in the amounts appropriated. The practice of allocating tax sources deprives the executive of the ability to plan an adequate and well-rounded program, and forces the legislature to abdicate its right and duty to review proposed expenditures periodically and to evaluate expenditures for each governmental activity in relation to other activities.

Despite its effect upon state budgeting needs, best determined by each state, Congress has actually passed legislation freezing state highway allocations within the states, under penalty of losing a part of the federal aid highway grants. This pressure of the central government on state budgeting control is as asinine as it is bureaucratic. In my own state I have recently gone through a period of embarrassment, involving the use of the militia, because it was necessary for me to either temporarily divert highway fund allocations or permit the schools to be closed and the insane remanded to county jails.

The unfairness of this national legislation is reflected by the fact that Congress varies its own federal appropriations to the states for roads while undertaking to deny the right of the states to vary their own state appropriations for roads. This example is cited as illustrative of the difficulties of evolving a sound financial budgetary system for governmental services.

I mentioned earlier the need for a realignment of services and revenue sources among the various levels of government, and the need for correlating relative needs and financial resources. An approach toward these objectives is found in the steady increase of grants-in-aid from the Federal Government to the states, and from the latter to its political subdivisions. Let us

further examine federal practice with respect to grants-in-aid, as a means of reviewing the use of grants generally.

Grants-in-aid are an attempt by the Federal Government to distribute funds for welfare, highways, education and other purposes on the basis of need, although contributions to the government were made originally largely by those states best able to pay. In other words, the fundamental objective of grants is to provide an adequate program by equalizing relative needs and financial resources. The extent to which such equalization is accomplished depends upon the basis for making grants.

A fixed formula for grants, such as 50/50 matching, does not meet the problem of need, whether in highways, welfare or otherwise. The state with the greatest relative need, for example, might conceivably have the least resources to provide funds of its own. Where needs are varied and diverse, and often in inverse ratio to financial resources, as is certainly true in the matter of relief, a simple formula seems inadequate. As pointed out by one student of this problem:

"If the national policy is directed toward a relatively uniform level of service over the country, the percentage grant must be rejected. It takes no account of differentials in tax raising ability between the states; the level of services in each state as fixed by its legislature in the light of the financial ability of the state. To iron out the variations in the character of service from state to state, it is necessary for the apportionment of federal contribution to be made after a consideration of the need for the service and the financial resources of the state. Neither of these factors enters into the percentage grant."

Grants-in-aid are an essential device for financing the large load of welfare services. We must devote greater study and emphasis, however, toward developing formulae for variable grants in order to accomplish the objective of equalization. The Wagner Bill, known as the National Health Bill of 1939, illustrates a closer approach to correlating resources and needs. The Bill provides that funds shall be granted to the states after considering (1) the number of births, (2) the number of mothers and children in need of service, (3) special problems of maternal and child health, and (4) financial resources. The percentage of the total cost of the state plan to be contributed by the Federal Government would vary from $33\frac{1}{3}$ per cent to $66\frac{2}{3}$ per cent,

depending upon average per capita income in the state. This is cited not as an ideal formula but as a move in the right direction.

To summarize, we must accept relief and related welfare services as permanent responsibilities of government. Then we must recognize that financing relief is but part of the problem of financing all governmental activities. In examining our tax programs, the criteria by which we determine changes in existing tax sources, or impose new taxes, should be basically upon the principle of ability to pay. Federal participation in the financing of relief seems here to stay, and the magnitude of the relief burden makes such participation essential. The final word on what level of government shall finance what functions and specific programs has not been said. Some readjustment of our tax structure and the reallocation of responsibility for some functions seems necessary and is slowly taking place.

Taxation generally should avoid the allocation of specific sources to specific programs. The inadequacies of earmarking must be apparent to all of you, from your own experience, to a greater or lesser degree. The most hopeful method of providing adequate funds for all areas lies in the further extension and development of variable grants from the Federal Government to the states and from the latter to local governments. Related to grants is the need to get away from the idea that grants and the tendency toward centralized responsibility encourages state and local "mendicancy" and represents unwarranted extension of federal powers over the states and of the states over local governments. At the same time, we must avoid making grants a subject for political pressures and sectional rivalries.

Relief reminds me of what Justice Frankfurter called the paradox of American political life—distrusting government and at the same time burdening it with demands for new services. We also feel the demands for more and more expenditures, but the public seems reluctant to pay the price through additional taxes. We might as well face the fact that governmental expenditures are going up and not down, and therefore it would be wise to emphasize the need for improved public administration generally in order that the tax dollar will be spent more effectively and that this government of ours as it grows in response to public demands will increasingly meet new needs in an adequate and economical manner.

It is particularly appropriate at this time of national emergency that we realize that the proper handling of relief is essential to national defense. Self preservation is not only the first law of nature with individuals, but with governments. The challenge to democracy today is to demonstrate its ability to preserve itself from attacks from both without and within. A government by the people is no stronger than its weakest people. Those weakest people who are not able to provide money for their maintenance, either from accumulations or earnings, constitute the sector of our societies where enemies are attacking us from within. In our Fifth Column round up in Georgia, we find these subversive agencies working vigorously among these weakest of our people, pointing out their plight as a failure of democracy. Since they cannot provide the money for their own maintenance, government must provide it. The only way government can provide it is through taxation. We must realize it is a permanent and pressing problem and must have faith in our ability to do the job soundly and effectively.

GOVERNOR DIXON: I know that the Conference joins me in thanking Governor Rivers for the fine discussion here today.

Matters presented by these gentlemen, as well as by Governor Sprague in his talk this morning, are open for discussion.

DISCUSSION

GOVERNOR LEAHY: In the matter of the talk by his Excellency of Maryland, I noted the statement that in his opinion there are very definite improvements which should be made in the administration of the relief work. As a matter of information for myself, I should like to ask a question which is perhaps familiar to all of you.

In the Island where I have the honor to exercise executive functions, someone might think I mean private or pleasure, I am also administrator of the W.P.A. and the rural rehabilitation work, and it has been proposed to me recently that I also take charge of the Farm Credit Association and slum clearance, reconstruction of financial corporations and development, and administration of water and hydraulic resources of the Island. I am inclined to think the person or persons who made these suggestions have no idea of government.

I think that on the Island where I work, we have the worst unemployment situation in the United States. We don't give

anybody relief who gets three hundred dollars a year, and I have control of the W.P.A. and the rural reconstruction funds in Puerto Rico and would like advice, because they may wish these various Departments on me.

GOVERNOR BALDWIN: Mr. Chairman, I might say that in 1933, in Connecticut, when the relief situation became most acute, the legislature of the state passed a law that gave to the Governor the authority to appoint a Commission of five men, and the Governor appointed a Commission of five citizens who had never taken any active part in politics. It was one of the most outstanding non-partisan or bi-partisan Boards that the state has ever seen. That Board set up an administration of its own. It directed the policies of that organization and then it set up in each one of the communities a Board to administer funds that were given to the state for relief purposes, and in that way we had an excellent administration of relief in Connecticut, using a State Board to administer funds given to the state by the Federal Government for relief purposes.

As, subsequent to 1933, the funds of the Board were gradually, piece by piece, taken over by federal administrators, representing the Federal Government, directly, so that ultimately the administration of the W.P.A. and all relief was handled in large part, through federal administrators sent there and appointed directly by the Federal Government. We had much greater success with it and through that Agency handled all relief work.

GOVERNOR COCHRAN: I think the county municipalities raised the greater part of the money. I think the Federal Government should furnish it.

GOVERNOR McMULLEN: Mr. Chairman, Delaware had a very satisfactory set-up in regard to Welfare Organizations. In 1937 I took office. Our legislature adjourned without making any provision for relief, thinking that the depression was all over, and that this country was going back to prosperous times. It had hardly gotten home before they had commenced to find out, in the city of Wilmington, that relief was with us to stay. Immediately there was a demand for a special session, but on advice I refused to call a special session, but did call into a Committee meeting, as many as I could from around the city. Among them were the District Attorney, Attorney-General, and other prominent men. They found that in the set-up of our

welfare agency, there was sufficient authority given to that agency by the law, necessary to carry on relief. They could bill the county for the amount, and the county thereupon would bill the state for fifty per cent, or whatever amount was coming to them. Sometimes it would not be fifty per cent because the Federal Government stepped in with its share.

This is the fourth year we have had this arrangement, and it has been extremely satisfactory. It was approved by the Supreme Court of the State of Delaware. They pick their own people, select them on the merit system and there has never been a question about the amount expended. But families who move in from adjoining states are not eligible according to the ruling of the state law and state administration. But it has been extremely satisfactory.

GOVERNOR BRICKER: We have had some experiences in Ohio that might be of value to you and are in keeping with the suggestions that have been made this morning in respect to relief.

I am slightly out of line with Governor Cochran's views in regard to the government furnishing the money. In the first place, it doesn't belong to any government. The money is collected from taxpayers, and they ought to be primarily concerned in determining how the money should be spent. It certainly should not be within the jurisdiction of some of the arrogant bureaucrats of Washington to determine which state or which community ought to have this money. They act as if the money really belonged to them for their own personal control.

We had a little experience in Ohio along that line and I would like to relate it to you. It involved the distribution of the old age pension money in our state. My predecessor in office had some personal difficulties with some of the leaders, and there was a political quarrel which ultimately resulted in withholding from Ohio \$1,300,000 of old-age pension money. The money was made up by the state. Everyone thought the money would be paid back again, but it wasn't. There was a continuous source of controversy for several months. The Social Security Board of Washington, under the leadership of Mr. Altmeyer, never discussed the problem with Ohio officials and I don't know if they discussed it with any old-age pensioners. I assumed that the Board had no authority to repay that money and placed its refusal on that basis.

Then Congress passed, by unanimous vote, a bill authorizing

the payment back to Ohio of \$1,300,000. But the President again, under the leadership of Mr. Altmeyer, refused to sign the bill and vetoed it. The Congress did not pass it over the veto of the President. The state was therefore fined to the extent of \$1,300,000 for one month, because of a political controversy and nothing else. The situation was explained, everything was remedied, and they started payments the following month, and certainly under the administration we placed the old-age pension on a sound basis. There is no politics in it. There have never been any complaints made as to the way it is being conducted under this administration yet Ohio is subjected to a fine or penalty because of the political attitude of some bureaucrat in Washington who acted as if the money belonged to him.

Now Ohio was short-changed in this tax arrangement with the Federal Government to the extent of a half a million dollars. We got forty-eight cents back of the taxes we paid the Federal Government in 1938 and in the whole period we have gotten about sixty-eight cents out of the money that has been taken from the people.

That leads also to a constant friction. I want to compliment Governor Rivers on what he said on the ear-marking of funds. We did not ear-mark our funds in Ohio, except when it got down to highways. We were prevented because of the freezing of the funds by the Congress of the United States and we couldn't use that money for relief, we couldn't use it for anything else unless we were fined or penalized by the Federal Government. So we had to continue on the old antiquated program of ear-marking certain taxes in that field also.

There were in that field, other reasons that entered into that consideration, but that was the main one, and it was actually prohibited. Now we come to the question of relief, and it has been asked by the Governor of Puerto Rico, whether or not this program of W.P.A. could be better conducted within the state under the Governor as administrator. I have no hesitancy in saying that the money could be more economically spent within the state, under the Governor or one appointed by him, or someone chosen within the state than it can be under the present program. I say that because of some very irritating personal experiences that we had in Ohio in October of 1938. We had on W.P.A. employment in Cleveland 74,000 men and

women. A year later, in October of 1939, we had 29,000, a cut of more than sixty per cent in W.P.A. employment.

In the meantime, the Ohio legislature met, laid out a program of direct relief which Ohio and the cities jointly carried on, and provided funds, and yet, here was that mounting cost of relief in that great city of Cleveland which was being caused directly by the cut in W.P.A. of sixty per cent, while the cut throughout the country was forty per cent and the appropriation less than thirty per cent. We were subjected, to a varying degree, to a program of W.P.A. relief on the part of the Federal Government, without consultation as to the direct relief needs of Cleveland, or the state of Ohio. In addition to the economical expenses and administration, and in accordance with the needs of the community, both labor and construction work, there will be a coordination of the direct relief within the cities and the state, with the W.P.A. or the relief program, which will at least prevent these shocks and these constant changes and frustrations of the federal program which result in a great deal of distrust and political agitation.

When furnishing the money I believe the state could do a better job by granting aid and relief forms just as they do through welfare departments in most forms of local governments, by letting them have something to say and do about their own citizens, and certainly it would result in another cooperative, well-coordinated, well-rounded program which would leave within the hands of the people who are closest to the problems the chance to solve them.

GOVERNOR DIXON: We just received a telegram from Governor Lehman of New York.

"Please give the Governors my kindest regards. Because of an engagement here it is impossible to be with them at this Conference."

—Herbert H. Lehman, Governor

GOVERNOR STASSEN: Governor Dixon and Gentlemen: Dinner this evening, sponsored by the Duluth Chamber of Commerce, will be formal.

Tomorrow is the day on which we make a trip up to the Iron Range Territory, where over half the iron ore of the world is mined and taken down to these lake ports. In order that the

program may be completed, it is necessary that we start on time in the morning, which means that the Governors and parties, tomorrow morning, will be down in the lobby ready to leave at 8:30. The special train will leave the depot at 9:15. A special car on the train has been arranged so that we may meet en route and the Governors may hold their executive sessions. We will have luncheon at Burntside Lodge which will be followed by a motorcar ride to the Mesabi Range cities where we will view the great open pit mines and then enjoy dinner and an ice frolic at the Hibbing Memorial Auditorium. Hotel facilities have been arranged for all of the parties, but the evening affair will be strictly informal, so we will travel light, and return back here tomorrow night.

I have just received a telegram from Governor Barrows of Maine.

"Greetings to you and my fellow Executives. I regret exceedingly that matters of great importance to this state being considered by special session of the legislature, preclude all possibility of my being there with you. I trust the Conference may be most successful in every respect."

—Lewis O. Barrows, Governor

Banquet Session

MR. CHARLES F. LISCOMB, *Chairman*
PRESIDENT, DULUTH CHAMBER OF COMMERCE

Monday Evening, June 3, 1940

Grand Ballroom, Hotel Duluth

Duluth, Minnesota

Civil Service

M^{R. LISCOMB:} Governor Stassen, Mrs. Stassen, your Excellencies and your Excellencies' ladies, ladies and gentlemen: This is an historic occasion in an historic setting, for I need not tell you that we are, tonight, on historic ground. It has been said that Duluth is thirty miles long and a mile high and a half-mile wide. If that is true, the length represents our hospitality to our guests, the height, our price in entertaining you, and our narrow width, the length of time that will lapse before you visit us again.

It is my great privilege tonight to introduce to you, the gentlemen at this table. (Introductions follow.)

Minnesota is the source of prominent waters of the Mississippi. It is the source of the Great Lakes, and the water ways. It is the source of iron ore and timber and the source of game and fish and recreation. More than that, it is the source of all affection and all admiration for this great Governor of ours, and for the state of Minnesota. And as your Spokesman, it is my great pleasure to introduce to you, as representative of that great respect and admiration and love that we have for our Governor, Harold E. Stassen.

WELCOME

GOVERNOR STASSEN: Mr. Liscomb, your Excellencies, Governors of the States, distinguished guests, sons and daughters of that early explorer, Duluth.

When the Secretary of the Governors' Conference conferred with us regarding the holding of the thirty-second annual meeting of Governors of these United States, here in our own dear state of Minnesota, I called in our Adjutant-General Walsh, and we began to confer upon the matter of the location in which we would hold that thirty-second annual Conference. There were many sites in our state where we thought the Conference could quite well be held. Looking back into our recollections of past Conferences, we realized that it was traditional that the Chamber of Commerce should put on a dinner, and at that banquet,

the President of the Chamber of Commerce should preside. And so we began to investigate the matter, of where in the state would we find the President of a Chamber of Commerce who would make a Toastmaster par excellence.

I think you can all testify that we chose well when we chose the City of Duluth and the Arrowhead territory as the location of this Conference. And I know that you all join Mr. Liscomb and myself in reiterating to our distinguished visiting guests, this evening, our hearty welcome on their presence within our city and within our state.

It has been our primary concern that this thirty-second annual conference make a contribution to the program, a helpful and constructive approach to the problems that affect the several states of this Union. The program on this day has already confirmed that hope.

We have been pleased to confer together, to hear some outstanding papers presented today, to hear earnest and frank discussions of current, impressing problems before the peoples of our state. We all recognize that there is before the democracies of the world, and before this democracy a very pressing challenge to make them more effective and efficient without surrendering their own basic principles of democracy.

The Conference of the Governors of the states, North and South and East and West, Republican and Democratic, peopled by sons and daughters of every nation in the world, following vocations and industries and ways of life diverse in many respects, yet bound together by all good Old Glory means, and meeting together with their Executives in Conferences such as this, is certainly an encouraging and inspiring occasion in times as trying as these.

I know I bespeak, not only the viewpoint of everyone of you good people of the Duluth Chamber of Commerce who have worked so well in appointing your Committee and in preparing to assist us in being hosts, not only the Arrowhead Association, but our own Adjutant General's Staff, and all those who cooperated. But I do want to speak on behalf of the 3,000,000 people in Minnesota, of all parties and of all backgrounds, when we say to our distinguished guests and to the people of their states, we welcome you and we extend to you with that welcome, that friendly hand that indicates the true bond that holds together the great peoples of these United States.

MR. LISCOMB: Thank you, Governor Stassen. I have been groping around trying to think how many people there were in Minnesota, and when Governor Stassen mentioned 3,000,000 I was surprised to know there were that many supporters.

The first settlement of the state of Rhode Island was made in 1636, twenty years before the first white man visited the shores of Lake Superior. The business, social and cultural life of Rhode Island is recognized throughout the nation.

The name of Vanderbilt has been prominent in this nation. It has been prominent in the northwest. It is my privilege tonight, to introduce the Governor of the State of Rhode Island, William Henry Vanderbilt. He is a graduate of Princeton University, is a married man, has a daughter fifteen years of age, and twin daughters nine years of age. He enjoys writing, sailing and swimming, and with those he should summer in Minnesota. It is my pleasure now to introduce Governor Vanderbilt of Rhode Island.

"AMERICA'S FIRST LINE OF DEFENSE"

Address by HON. WILLIAM H. VANDERBILT
Governor of Rhode Island

GOVERNOR STASSEN, LADIES AND GENTLEMEN: I think Governor Stassen was right. I do want to thank you on my own behalf and on behalf of all the other visiting Governors, the Chamber of Commerce of Duluth, for giving us such a wonderful party tonight, and the citizens of Duluth for all that they have done to make our visit here so far so pleasant. And I am sure the weather today is very, very unusual, and there will be a beautiful clear sunny day tomorrow.

I would like to congratulate the Chamber of Commerce of Duluth on its selection of a President, and I would particularly like to congratulate the citizens of the State of Minnesota on their most happy selection of their Chief Executive. The work he has done and is doing has been and is an inspiration to all the rest of us Governors throughout the country.

In a recent novel which depicted the life and growth of a middle western town, two public institution doctors, one of whom was being unjustly criticized in the public press, hold the following conversation. The first doctor says, "It gives me a

strange feeling to think that anyone is after me." The second replies, "Yes, that's natural, but you will get used to it the longer you remain in the service of the state. They honor you with a state appointment; they always talk of these soft state jobs with good state money; the work is harder than private work and the pay is far less. Then they sit back and watch for the first chance to get something on you." That brief and imaginary conversation will have a familiar sound to those in public service all over the country. It illustrates the attitude of far too many citizens toward their public servants. It demonstrates the scornful attitude which many persons display toward the man or woman in public office. This results in a condition under which well equipped people are reluctant to enter the public service, because they do not want to run the gauntlet of derision, and in many cases suspicion, which seem to attach in the minds of the general public to anyone holding a state job. Men and women having particular qualifications who are sometimes persuaded to leave private endeavor and give their talents to the state too often regard themselves as birds of passage who plan to return to their own field as soon as their immediate mission is accomplished.

I am sorry to say that the public attitude in this matter, if not completely justified by the facts, is at least understandable. Therein lies a grave and vital problem that cries for solution, and may well do irreparable harm to our form of government if it is not faced squarely and dealt with.

In this world of war, public attention is directed, and rightly so, to the military and naval arms of the public service. Being of a spectacular nature, defense measures loom large in the public eye. However, the home front calls for as much attention, for it is there that the long-range development and growth of our American system is accomplished, and it is there that we build for the days of peace, when men have regained their senses, when men of ill-will, who believe only in the philosophy of force have been crushed and harmony between nations has been restored.

Let us examine this totalitarian movement that has produced a horrible total war and destruction on a scale never known to the world before. Totalitarian governments, be they Communist, Fascist or Nazi, have been brought about by different causes and circumstances in each nation. The last World War,

its treaties and its mistakes were large contributing factors. There has, however, I believe, been one cause which has been common to all totalitarian forms of government. Broadly stated, this may be called lack of confidence in the previously existing government.

The stupidity of the victors in the last war; post-war depressions and inefficiency and corruption of local governments combined in the various nations in different ways to discredit the then existing governments. The people became discouraged and disheartened; they felt helpless and hopeless; and when, as apparently always happens in such cases, one man emerged and said, "Give me the power, and I will return to you your self respect as a nation; your chance to earn a living; your place in the sun of national and world affairs; I will do your planning and your thinking for you," the people had been brought to such a low ebb that they gladly gave up their responsibility, abandoned their independent thinking and were satisfied to do as they were told. From establishing totalitarianism at home the dictator nations have so far wiped out representative governments in seven formerly independent nations in Europe. Where this destruction by force of arms will end, no one can say. But whether the dictator nations come out at the end as victors or vanquished, the totalitarian idea will still have its disciples, willing and anxious to spread its doctrine abroad over the world. As William S. Culbertson, former Ambassador to Chile, has said, "The ocean is no barrier to ideas; tariff laws and immigration laws do not exclude methods."

The national government of the United States, through the President, has announced its program of defense, entailing the expenditure of billions of dollars in regular and extraordinary appropriations for enlargement of the army, navy and air forces.

No American will oppose the principles of this program or count the cost too high, though he may argue about the methods of putting it into effect. Vital as this rearmament program is, it will be worse than useless unless there stands behind it a united citizenry determined that no inroads will ever be made to destroy the American way of life and the American method of representative government.

There can be no united citizenry unless that citizenry has respect for its government, unless Americans believe that their

government is honest, efficient and trustworthy. They must believe that it truly represents them, that it spends their money wisely to achieve the best results and that it has worthy and efficient people to do the day to day work of giving service in manifold ways.

This question of the attitude of the general public toward its government was brought home to me very forcibly just the other day. I received from the State Director of Civil Service in my state a memorandum starting with the following sentence: "One of my principal concerns at the present time has to do with the relatively low prestige of public service employment in Rhode Island." He went on, "It is the exception to find good people seeking public office rather than the rule," and again further on, "It is disturbing to me to find a group of young men on the threshold of their careers who were thinking not at all of the possibilities of state public service employment." These statements simply reflect the fact that the young men and women graduating from our high schools and colleges very rarely think of the public service as offering them a life career.

Is that the proper feeling for representative government to engender in the hearts of its citizens?

Is that the public attitude we want to match against the fanatic devotion apparently engendered by totalitarian systems? Why does this condition exist here, when it is a fact that in some other nations those who stand highest in the great universities almost invariably go into some branch of their government service?

Government is as much a business as banking or manufacturing. Particularly during the past few years it has become highly complex, and if it is to be operated efficiently, it requires ability, brains, training, initiative, intelligence and all the things which any business requires.

If there is a substantial group of citizens which holds the public office holder in scorn and contempt, it is nobody's fault but our own. When I say "we," I mean the elected officers of American government, and those who have been our political forebears.

The greatest factor which has brought public office into such low repute is and has been the spoils system. The great majority

of citizens who are not interested in seeking government jobs have been and are disgusted by the job scrambling spectacle to which they have been treated. The other thing which disgusts the citizen and lowers his respect for his government is an outgrowth of the first—corruption, waste, extravagance and inefficiency. At a dinner I attended recently, I had the pleasure of sitting next to a priest from a large parish in a neighboring state. His parish consisted entirely of people of one foreign extraction. They are intelligent people and have shown themselves to be good citizens. They are self-reliant and are proud of the fact that few of their race are on relief. They are interested in our history and enthusiastic about our form of government. They believe in our principles and are willing to take their share of responsibility as citizens. This priest told me that they study our history carefully in school; they come out imbued with the ideals for which we as a nation stand, and then he said, "They run up against the well-known fact that in my city if you have \$1,200 you can become a school teacher—if you haven't, you can't."

How, I ask you, can we expect young people, or for that matter any citizen, to respect the government of that city? I realize that the glaring example I have cited is the exception, not the rule. I hope and believe that the cities where such a thing can happen are very few and far between. I realize also that we can never hope to stamp out all corruption, that in every walk of life there are some crooks. I know that we can never hope to secure perfect government with 100 per cent efficiency, but I also believe firmly that by wiping out the spoils system, by attracting to government able and honest men and women, and then assuring them of reasonable security as long as they perform their work well, we can do much to increase the respect of the average citizen for his government.

Government is never a very popular institution. It interferes with the lives of citizens, it regulates and restricts their privileges, and puts them in jail, suspends their various licenses, and worst of all it takes some of their hard-earned money away from them in taxes.

If you try the patience of the American citizen too long with stupid, inefficient, wasteful, selfish government, he is going to make up his mind that the system is wrong, then with others

he is going to discuss ways and means of substituting something else for it. He is then at the state where he is ripe for any quack philosophy that may come along.

With all its natural handicaps which include slowness, deliberation, a certain measure of clumsiness, and sometimes faulty reasoning, representative government needs and should have a public service second to none in the world. Then, at least, the day to day functions will be performed as well as they are performed in business and industry, where competent personnel organizations are maintained.

We have maintained our form of government for over 150 years. We like it. We want to maintain our freedom of speech, freedom of the press, and all our other liberties. We are determined that we shall maintain them. An unexcelled public service with its consequent increase in the respect of our citizens is the best answer to the current trend to absolute dictatorship in the interest of national efficiency. I know of no other way to achieve it under democracy than through a competent and honestly administered merit system of civil service.

Federal-State Relations

M^{R. LISCOMB:} Thank you, Governor Vanderbilt, for that very fine message. Recently one of my friends saluted me on the street and called me, "Governor." Naturally I began to feel that I rated somehow. I discovered in my own home the other day that I wasn't Governor, not even in my own home. When I insisted the state of West Virginia was known as the Panhandle State, my wife insisted it was Texas. Standing among these Governors I say that West Virginia is known as the Panhandle State, and I defy the Governor of that state to contradict me, but *not* my wife.

We have an affinity for the state of West Virginia, because the natural resources in Minnesota, coupled with the natural resources of the state of West Virginia, are one of the greatest defenses that this country of ours can depend upon.

We might call this parade of Governors that we have had here this evening, "The National Youth Movement." We have the Governor of Minnesota at thirty-three, the Governor of Rhode Island at thirty-nine, and now I come to the aged and infirm, the Governor of West Virginia, at forty-two. Governor Holt was born in Lewisburg, West Virginia. He is a graduate of the Washington and Lee University, is married and has a daughter fourteen and a daughter eleven years of age, who accompanied him here. He also has a son four months old. He enjoys golf, football and baseball, and aviation, as is shown by the fact that he flew to Duluth to this Conference. It is my great pleasure now to present to you, the Governor of the State of West Virginia, Governor Holt.

"THE MEANING OF STATE SOVEREIGNTY"

Address by HON. HOMER A. HOLT

Governor of West Virginia

GOVERNOR STASSEN AND LADIES AND GENTLEMEN: I am trying to think that Governor Stassen did an admirably good job when he called upon Mr. Liscomb to be the Toastmaster on this

occasion. I feel it is my duty to defend the male members of the household on this occasion, so I will say to Mr. Liscomb that West Virginia is known as the Panhandle State. In support of Mrs. Liscomb's position, may I say that I am not in position to deny that Texas is also a Panhandle State.

We are in a period, even though some of us have not reached our three score and ten years, where we have had an opportunity to observe quite an appreciable development in government. Even in our comparatively short lifetime, as Governor Vanderbilt has said, "We see today, internationally, race contrasts in principles of government." We see the totalitarian set off sharply against the democratic and although we see that, it makes our affections and our respect and our endearment toward the democratic even stronger than it might otherwise be, were it not for the sharp contrast.

Some two or three months ago I received a little message from one of the Governors of the state of a political affiliation, different from Minnesota, and suggested to me that if by chance I was called to make any observations at this Conference, I devote my attention to a particular subject. I fear that I am not carrying out the request of this Governor entirely. On the other hand, I consider his observation so appropriate that in discussing briefly the very important subject of Federal-state relations, may I emphasize my observations will be purely academic. I make them neither in the spirit of praise nor do I criticise the relations that I, as Governor of the state of West Virginia have had with the department of the Federal Government. For the most part my official contact with representatives of the Federal Government have been most cordial and pleasant. Especially has the President personally been considerate of my position in the new matters which I have had occasion to take to him on innumerable occasions within the last few years. On behalf of the Governors here, I take this opportunity to thank the Duluth Chamber of Commerce, Governor Stassen and all his assistants, for the very wonderful time.

Some of you folks think I come from the deep south. I come midway there. But we appreciate good hospitality. I have attended three Governors' Conferences, and have yet to see any hospitality which is exceeded by the hospitality of

this fair lake city of Duluth on the shores of Lake Superior.

These observations are intended to bring out for consideration some important principles in the matter of Federal-state relations in relatively normal times. They have no application whatever to emergencies of national defense such as now confront us. National defense, from the standpoint of our co-ordinate sovereignties, is distinctly a federal responsibility, meriting the unreserved support of the states and of the people and the exercise of such powers as may be appropriately expedient in both the choice of governmental agencies and methods of finance, without theorizing about American political history or science.

In our federal system of dual sovereignty it is ordinarily accepted that general sovereignty inheres in the state governments while the Federal Government is one of enumerated powers. We know also that the enumerated powers of the Federal Government may be implied as well as expressed *eo nomine*.

I fully accept the principle that ours must be living constitutions—that the federal constitution may properly be interpreted in the light of current conditions, now as well as in the past, and that today many governmental problems which some years ago would have promptly been dismissed as being beyond the purview of federal consideration, have, in fact, federal aspects.

Though I believe it is not only desirable but necessary that we have a settled law, I am averse to constitutional interpretation in the light of modern conditions, even though some interpretations may constitute direct departures from interpretations previously expressed in the light of then existing facts.

But, that which causes me some concern is the present trend towards the centralization of all sovereignty in the Federal government and the co-mingling of federal and state sovereignty as distinguished from the constitutional plan of co-ordinate sovereignties.

In every state of the Union we have dual sovereignties, state and federal, but these sovereignties were intended to be distinct, co-ordinated, not co-mingled.

The very meaning of sovereignty is supremacy in govern-

ment. The Constitution of the United States and the laws enacted pursuant thereto, constitute the supreme law of the land and rightly so, but while the Federal Government within its proper sphere is supreme and reaches a far greater territory than that of any state government, these facts should not mean that the sovereignty of the states within their proper spheres and boundaries should be inferior to or of less dignity than the proper sovereignty of the Federal Government.

I am interested in giving thought to what extension of federal power may be necessary and to what is unnecessary.

There are two phases of the extension of federal power. One is that which is direct and the other is that which is indirect. To that which is indirect I shall refer as the co-mingling of the co-ordinate sovereignties.

The constitution of West Virginia, Article I, Section 2, provides that:

"The Government of the United States is a government of enumerated powers, and all powers not delegated to it, nor inhibited to the States, are reserved to the States or to the people thereof. Among the powers so reserved to the States is the exclusive regulation of their own internal government and police; and it is the high and solemn duty of the several departments of government, created by this Constitution, to guard and protect the people of this State, from all encroachments upon the rights so reserved."

The same principle is found in the tenth amendment to the Federal Constitution, which reads:

"The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people."

Since the founding of the nation there have always been two schools of political thought on this question. One school has believed that the Federal Government, because of its prowess, should exercise all powers which could possibly be brought within the purview of the federal constitution. The other school of thought has been that usually referred to as the school of

state rights. This method of political thought has believed that the Federal Government should exercise no more powers, even though they may technically exist, than are clearly necessary to serve pressing governmental needs of the people, which cannot be met by state action.

I prefer to think of state responsibilities rather than of state rights. The mere existence of the rights or powers of the states will not meet the needs of the people unless such powers are effectively exercised. If there is, in fact, need for the exercise of governmental authority, the existence of the need coupled with the existence of the power of the states to remedy it, present a responsibility, not a mere right of the states.

Conceding for purposes of consideration that federal power exists in some fields which have heretofore been occupied by the states, then policy rather than power determines the matter of federal action or inaction.

It is my belief that there is sound reason behind our federal system embodying the co-ordinate sovereignties of the states and the Federal Government and that there is sound reason for the preservation of independent, effective state sovereignty. In the formulation of the federal constitution the then prevalent fear of remote and centralized government made the representatives of the states zealous to preserve state sovereignty. The fear of unnecessary centralization of power still exists in some minds. But, I believe that there is a more important reason for guarding and maintaining unimpaired state sovereignty than the simple fear of centralization, though this reason is very closely related to the fear of centralization.

If a democracy is to be sound, stable and effective, it is indispensable that the citizenry be actively interested in the subject of government, the responsibilities of which ultimately rest upon the shoulders of the people. In government as well as in other activities, one of the best ways to get action out of an individual is to make him conscious of his responsibility and of the part he plays in the program of the organization. The retention of sovereignty or governmental authority as close to the people as is possible is a very effective safeguard for democracy.

Much state sovereignty is exercised through local govern-

ment, perhaps in many instances with less efficiency than direct action by the state would attain. But, the fact that certain governmental functions are made local responsibilities and are thereby kept nearer to the homes of the people, tends to stimulate individual appreciation of and activity in government. Democracy is fostered by personal interest in, and appreciation of, government and its attendant responsibilities. This argues for the preservation of unimpaired state sovereignty and for the desirability of extending federal power no more than is really necessary.

It is the simple proposition that the individual in a small group or in a small community, better appreciates and responds much more readily to his responsibilities than the same individual would likely do in a larger group or in a more extensive community.

The people can, because of distance, personal acquaintanceship and of fewer differences in interests and conditions, find more ready expression in state government than in Federal Government.

The representatives of the people in smaller political units are closer to the people than are those in the larger ones. For instance, in West Virginia, each county has at least one representative, frequently more, in the state legislature, while the West Virginia Congressmen represent respectively the people of from four to fifteen counties. A member of the House of Delegates of West Virginia in some of the less populous counties frequently knows, or at least meets, practically every voter. Even the most energetic Congressman cannot hope to be that close to his people.

What we need in government today is more popular knowledge about, and interest in government, national, state and local. The more difficult it is for great numbers of the people to contact their officials, both administrative and legislative, the less facile it is for the people to have an articulate interest in government.

Also, a highly centralized, far-flung democracy may have some disadvantages which are common to centralized governments of other types. A large, far-reaching centralized government is not so likely to arouse and hold that active personal interest of and participation by individuals in government which are indispensable to a healthy democracy.

Individual interest and action in government is worth something in a democracy. In fact, without them democracy must lag, though government may proceed at increased speed.

If these observations are sound, then, even assuming, which I do not think is true, that the state governments are not as efficient as is the Federal Government, we can well afford to pay a reasonable price in inefficiency if that price will purchase a better, sounder democracy.

There may be some lack of efficiency in some activities of the governments of some of our states. There is much efficiency in most of them. Some may be deficient in some activities and some in others. No government is perfect, not even the Federal Government. Inefficiency in some activities of some state governments would seem to be little reason for depreciating the importance of the principle of state government and of the federal system of co-ordinate state and federal sovereignties. The sovereignty of the states, efficient in some activities, should not be needlessly invaded just because in these same activities other states may be less efficient.

And so, from the standpoint of preserving as far as is possible that individual interest and participation in governmental affairs, I suggest for your consideration the desirability of preserving unimpaired the fullest sovereignty of the states consistent with the governmental needs of the people. In other words, may we not give thought to the discouragement of the unnecessary extension of federal power. In this connection I may illustrate by some bills now pending before the National Congress.

I am at this time especially interested in the bill now pending for the federal inspection of coal mines. The principal industry of my state is the production of bituminous coal. Some of you, likewise, are interested in this bill. All of you are likely interested in the principle of what I believe to be the unnecessary extension of federal power embodied in this bill.

West Virginia has had a Department of Mines for sixty years. I do not claim perfection for the department by any means. It has been effective, however. In 1908 only 70,500 tons of coal per fatality in the industry were produced. In 1939, 408,000 tons per fatality were produced.

The bituminous coal industry seems to have been pretty thoroughly federalized already, perhaps in some aspects properly and necessarily so. But, that would seem to be little reason

for minimizing state responsibilities and extending federal powers, even to the coal industry, where such extension is not pressingly necessary.

I would not speak lightly of the many catastrophes that have blighted this great industry in many states, including my own. But, what reason do we have for believing that the Federal Government can prevent all industrial catastrophes? The Federal Government has had virtually complete governmental authority over interstate railroads and maritime transportation for years. Yet, railroad catastrophes and maritime disasters have not been wholly eliminated.

Not long ago, a fire in a dance hall in one of the southern states snuffed out the lives of 211 people, appreciably exceeding the combined fatalities of the exceptional coal mining catastrophes which have occurred this year in West Virginia and Ohio, about which so much has been heard. It has not yet been suggested, however, that the Federal Government regulate the operation of dance halls.

I would not depreciate the success of the Federal Government in railroad, maritime or other activities. Federal action relating to interstate railroads and maritime matters has been successful, just as has been successful the action of the governments of the states, including the action of the State of West Virginia through its Department of Mines as related to the coal mining industry. But, neither the Federal Government nor the State of West Virginia or any other state has attained complete perfection. Neither will likely do so in the near future.

In March of this year I joined a number of governors in appearing before a house committee of the Congress in opposition to a bill to place the production of petroleum under the regulation of the Federal Government. The governors of many states felt that their states had just about solved the problem through state regulation and interstate compacts. Why should state responsibility be curtailed and federal power be extended in the petroleum industry if the states can meet the governmental needs of this great industry?

Already there is a federal act relating to the transportation of natural gas in Interstate Commerce. This would seem to be entirely proper. However, by administrative interpretation, it is now being sought to extend this act to embody virtually complete control of the production, transportation and sale of

natural gas, even in intra-state commerce, on the theory that the intra-state production and sale is related to and affects interstate business.

I could give many other illustrations of this questionable extension or proposed extension of federal power, but these are enough to present the principle. Those of you who are not immediately concerned with the production of coal, petroleum or natural gas need not be unconcerned with the principle involved. Cotton, grains, fruits, ores, lumber, livestock, poultry, milk and all other agricultural and natural resource products enter into and affect interstate commerce, as does their processing. If it is necessary to federally regulate the production of coal down to the point of administering simple police regulations for the alleged safety of lives and properties in the mines, is there any reason why any other industry should be believed to be exempt from the same policy?

I would not attempt here to say where state authority should end and where federal authority should begin. The time may come when even these thoughts would seem to be archaic. I merely suggest for your consideration the thought that in the interest of the federal system of co-ordinate sovereignties we approach such centralization of power with no greater speed than is absolutely necessary and that in the interest of sound democracy we avoid it wherever we can.

Theoretically, federal action may not exclude state action. The federal action may be designated as action cooperative with that of the state. But, if objectives be within federal power and that power be exercised, state laws regularly enacted by state legislatures will quickly become dead letters to federal administrative regulations and state officials provided for by state constitutions and regularly enacted laws will quickly become mere flunkies for the federal subordinates of administrative creation.

The other phase of my observations relate to the matter of federal grants-in-aid of state activities and the conditions which are or may be attached thereto.

This approach to federal domination is, in my humble opinion, far more deceptive and dangerous to the existence of state sovereignty than is the forthright extension of federal power by specific Congressional enactments.

I am not unmindful of the saying that "No man ought to look a gift horse in the mouth." This maxim means that if

someone gives you a horse and you accept the horse you should not be so particular about his age.

But, I also think of the maxim: "Whatever it be, I fear the Greeks even when bringing gifts."

Now, the gift looks fair enough but it may be that we had better look to see what the gift is and what it will do to us.

In the first place, I do not regard the expenditure of federal moneys, not even those expended through the states, as gifts to either the states or the people of the states. The Federal Government has no money of its own. It simply handles and administers the public resources of the people just as do the states handle and administer the public resources of their respective citizens. While many people may think that they are receiving federal gifts, when the time for paying the public debt comes, most of those will find that they have simply been borrowing against their own future resources or the resources of their succeeding generations.

It is in connection with some of these so-called federal grants-in-aid or gifts to the states that we find the co-mingling of sovereignty which, in substance, is that if the states will raise a certain amount of money the Federal Government will give to the states a lesser sum of borrowed money provided the states will employ the personnel approved by the Federal Government to disburse the money upon a federal plan. Potentially at least, the result is not a federal grant to the states but may be virtually the raising of money by the states for federal expenditure.

Many of you recently have had occasion to deal with a simple little rider to the federal Social Security Act which provides that:

"(a) A State plan for old-age assistance must . . . (5) provide such methods of administration (including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Board shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as are found by the Board to be necessary for the proper and efficient operation of the plan; . . ." (42 USCA, Sec. 302)

In West Virginia we already had a non-political board created by statute, charged with the personnel functions as related to

public assistance and a merit system of personnel selection, including in the most important grade recorded examinations. Representatives of the Social Security Board said that our Board, created by statute, would have to be laid aside in favor of a Merit System Council, created by federal administrative regulation, and repeatedly threatened to withhold federal moneys for old age assistance and other classified benefits unless there was within a very limited time "forthright" acceptance of the model state plan prescribed by the Social Security Board.

It is worthy of note that even the little rider to the Federal Social Security Act appeared to contemplate state plans of merit systems of personnel administration which should merely meet the approval of the Social Security Board.

But, when we sought the approval of our state system, although it had been operating for several years and had been remodeled especially for approval by the Social Security Board, we found that what was required was not a state plan for approval by the Social Security Board but full and complete adoption by the state of a standard form provided by the Social Security Board, as a *suggestion* for state action.

We were told that any departures from the Social Security Board's model by West Virginia could not be approved because a precedent would be established for like departures by other states, while, for the convenience of representatives of the Social Security Board a uniform plan throughout the nation was necessary, except where a few of the states already had full and complete civil service.

I am sure that some of you had like experiences because even before I departed from the City of Washington I met the governors of some other states which were in the same situation that West Virginia was in and I learned that each of these governors too had been told that his state was the only state which had not fully accepted the suggestions of the Social Security Board, the penalty for which failure was the denial of the state's share in the federal moneys available for social security.

The Social Security Board's recommendations suggested that of those qualified for certain positions a limited number of names be sent to the employing agency. But, when the time came to adopt a plan there was only one limited number known to American mathematics and that was three and nothing else.

I know that this experience of mine was probably unusual in

degree of federal administrative caprice. West Virginia has suffered no particular injury and I have no complaint. We are getting along very nicely with the representatives of the Social Security Board. This experience does illustrate, however, possibilities which are inherent in the principle of co-mingled sovereignties.

The using of the people's money, even if it be raised by the Federal Government, to depreciate state sovereignty is not governmentally sound.

There are pending before the Congress a number of bills which would terminate state participation in federal funds if state employees of the participating departments should take part in political activities.

In a democracy every citizen should be a politician, meaning one who takes an active interest in his governmental affairs.

Who should take a greater interest in or know more about his governmental affairs than a public official or employee? And who is to determine whether state officials and employees are politically active?—Federal employees. The states cannot supervise the federal employees but the federal employees would supervise state officials and employees from the departmental head to the janitor. Where, then, would be state sovereignty? Supervision over sovereignty is paradoxical.

No doubt some reforms are needed in most of the state governments. But the sovereign citizens of the respective states can do the policing. Our constitutional system does not contemplate the policing of sovereign states by federal subordinates.

I do not believe that there is any sound theory which justifies the purchase of state sovereignty by the expenditure of the moneys or credits of the people of the nation upon terms and conditions which compel the subordination of proper state authority to improper federal dictates.

The theory of expending federal money in a state only if the state will match the federal expenditures may encourage more work to be done in the states which can raise the money, which, no doubt, is desirable. But federal money is the money of the people of the nation, who are also the people of the states, and if the Federal Government sees fit to raise from the people or to borrow upon the responsibility of the people money for personal relief or industrial stimulation there is no sound principle which sustains provisions which would bar from or reduce the

participation therein of the people of any state just because that state is either constitutionally or financially unable to raise the necessary matching funds or because the state dares to assert its sovereignty.

Again, in concluding, may I say that I am discussing not personal or official complaints. I have none. Though West Virginia has not participated liberally in the federal recovery disbursements, we have had some very nice projects and programs.

I have endeavored to discuss important principles of American government. I am suggesting that if we, the governors of our respective states, believe in the federal system of sovereign states and a co-ordinate sovereign Federal Government there is no time better than the present for us to guard zealously the sovereignty of the states in all matters not directly related to national defense.

If the sovereignty of the states is not an important essential to the proper functioning of our democracy, then my observations should neither arouse your interest nor cause you concern. But, if the sovereignty of states is of any importance to our democracy, then let us be on our guard.

MR. LISCOMB: Thank you Governor Holt for that very splendid address. Now may I express the appreciation of the Duluth Chamber of Commerce of the City of Duluth, the Arrowhead Association, for the privilege given to us of entertaining the distinguished guests tonight. It is a pleasure and an engagement we will long remember. Reluctantly, I declare that dinner is adjourned.

Hibbing Session

HON. JAMES G. EARLY, *Chairman*
PRESIDENT, HIBBING CHAMBER OF COMMERCE

Tuesday Evening, June 4, 1940

Memorial Building

Hibbing, Minnesota

Defense of the Nation

"NATIONAL DEFENSE"

Address by HON. LLOYD G. STARK
Governor of Missouri

MR. TOASTMASTER, MEMBERS OF THE GOVERNORS' CONFERENCE AND DISTINGUISHED GUESTS: It is an honor to bring you this brief message of greeting, as we near the close of the thirty-second annual meeting of the Governors' Conference.

In looking forward to this occasion, I had planned to touch but lightly upon the affairs of this conference and the important business which has occupied our minds during the sessions of the past two days.

Already, however, our scheduled program has been changed so that we might give our attention to the problem which today is uppermost in the minds of all American citizens—the question of adequate national defense.

We are assembled here in the great and peaceful state of Minnesota, enjoying the liberties which for more than one hundred fifty years have been guaranteed by the federal constitution and the wisdom of the American people.

During that century and a half the oceans on either side of our nation have provided us with virtual immunity from any threat of foreign invasion.

Under the Monroe Doctrine our rights and the rights of the other American nations in the Western Hemisphere have been recognized and respected. Our participation in any foreign war had to be of our own choosing.

It is not my purpose here to appraise the circumstances surrounding our entrance into the last World War; the fact remains that the decision was our own.

Insofar as such a decision might confront the American people today, no one can question the answer. It is a most emphatic "No."

The people of the United States are not going into any war—

except to defend our own shores. Our destiny as a free people is not and must not be linked with a Europe which is endlessly engaged in destructive warfare. Let us face facts.

However much our natural sympathies rest with the democracies of Europe in their life-and-death struggle, however much we may deplore the brutal methods of totalitarian dictatorship, our manifest duty as leaders of American thought and opinion is to preserve the American way of life by avoiding those entangling alliances against which Thomas Jefferson long ago so forcibly warned the young Republic.

I repeat, we must not be brought into any European or Asiatic war against our will. The causes of war in Europe, rooted deep in age-old rivalries and given impetus by trade barriers similar to those we are striving to remove from the American scene—such causes must not be allowed to bring about internal disturbances in our United States. Yet war may come to us. We have seen the impossible happen in recent weeks. One of the best-trained armies in the world has been baffled and disrupted by the power of super-mechanized troops. The most powerful navy in the world is seriously handicapped by lack of sufficient modern planes to counter the new and terrible threat of mass air attacks.

So while we have heretofore been secure in our isolation, yet we must now recognize the fact that our country should be prepared—must be prepared—to defend itself successfully against any aggressor.

A survey of the condition of our national defenses today discloses that we must enlarge, modernize and coordinate the efforts of our armed forces. Obviously the greatest need is for planes, but the battle fleet remains our first line of defense and the army must be fully equipped to meet any modern mechanized force that may attack our shores.

I call these things to your attention because you, as the governors of your respective states, are more than civilian administrators. You are the commanders-in-chief of your National Guard units. Above all, you are molders of public opinion and the elected spokesmen of your fellow citizens.

There is one phase of national defense which deserves our special attention. We must be on guard against any attempt to create in these United States an insidious band of traitors and opportunists who constitute a so-called "Fifth Column." Facing

the facts boldly, as we must in times like these, we have in this nation the elements of such a "Fifth Column." It should be the task of every loyal American citizen to help block every attempt by such a "Fifth Column" group to undermine our new defense program—a program vital to the security of the nation.

The actual police work can be left to professionals. We want no hysteria, no blind ostracism, no persecution of people of alien birth. There is another, a more effective way in which the Fifth Column can be overwhelmed and that is by the development of a "Sixth Column."

The "Sixth Column" would be composed of all loyal citizens, who, while not wearing uniforms, still consider themselves patriots enlisted in the service of the nation. It would be composed of men and women who take as their service a responsibility for talking with discretion, listening quietly, thinking clearly, and holding courageously firm against the forces of alarm and hysteria.

The strongest weapon of the "Sixth Column" is faith—a firm and unyielding faith in the unconquerable destiny of the American people—faith in its leadership, and faith in a God who has singularly blessed us. We are a peaceful nation, and our national will to remain at peace continues unshaken in the face of the tragic events across the sea.

It is because of this unified determination to remain at peace that the American people today stand ready to make any sacrifice necessary to render our national defenses impregnable. Once more we must reflect on the inspired wisdom of George Washington our first President, as we recall his admonition: "To be prepared for war is one of the most effectual means of preserving peace." No one ever has said it better.

Our national preparedness program should and will serve notice to the world that America will not be caught napping if the greedy eyes of a conqueror are turned toward our rich land.

We must dedicate ourselves to this task with singleness of purpose. We must pay for that defense and consider it reasonable insurance for the protection of the mighty stake that is ours, in comfort, security and opportunity—in freedom, liberty and democracy.

We must have the cooperation of public officials, business executives, farmers, industrialists, workers and private citizens to see that an adequate preparedness program is begun at once

and carried through to completion at the earliest possible moment. Let us keep our own morale strong and determine to carry to a successful and swift conclusion an adequate program of national defense.

"WHAT IS A GOVERNOR FOR?"

Address by HON. HARLAN J. BUSHFIELD
Governor of South Dakota

MR. TOASTMASTER, FELLOW GOVERNORS, LADIES AND GENTLEMEN: I appear before you this evening with a feeling of diffidence—if there is such an emotion in a governor's makeup. That feeling is real in my case, because of the fact that I am only a freshman in this college of statesmen and, like all freshmen, I have been sitting in my room thinking, perhaps of the old home town and what the boys are doing in my absence, and wondering just when some visiting sophomores are going to call upon me and induct me into the mysteries of college life. You upper classmen have been so friendly during these last few days that I have a flickering spark of hope that perhaps the sophomores are not going to take me out for an evening's ride.

Like all of us when we do not understand what lies ahead, or are displeased with some activity, I have come to the conclusion that there ought to be a law. I know not quite what kind of a law, but surely in this day of legislative panaceas there should be some legal recipe that will take care of the situation.

I do not know what a governor is supposed to say to other governors upon an occasion such as this. Were I talking to a country picnic, a school commencement, or a group of Scandinavians—about one-third of our population, you know, is of Scandinavian origin—I would have no hesitancy in proceeding with complete self-confidence. In fact, under those circumstances, the pattern of a governor's remarks is so well established that all one needs to do is to reach in the drawer and pull out the appropriate set of notes and proceed to make a speech. But, under these circumstances, when I am talking to members of the faculty, there is within me a very definite feeling of uncertainty.

I realize that each governor here is supposed to represent the last word in wisdom, at least among his own people, and so for a speech of this kind I have a feeling similar to that of an actor's

first night when all of the newspaper critics are assembled in the front row to tell him how wrong he is.

On the other hand, there is nothing that swells one's self-importance as much as an invitation to sit at the table with important citizens and feel, even in a small way, that he is one of them. This, I presume, is something like a convention, and I dote on conventions—and circuses. At these gatherings the best minds in the country come together and make speeches to each other, thereby improving the general welfare of our respective commonwealths. If a governor's job is not for that purpose, I would like to know what it is.

It reminds me of an experience that came to me the other night in my home state. Long after retiring, it must have been considerably after midnight, my wife roused me from a very deep and peaceful sleep with the information that the telephone was ringing. Reluctantly and gropingly I tumbled out of bed and felt my way across the room to the telephone, barking my shin upon a misplaced chair. Upon taking down the receiver, I was informed by the operator that long distance was calling from a distant part of my state. She said that some man from Pumpkin Center wanted to talk to me and insisted that the charge be reversed.

If I was not fully awake up to that time, I assure you that the request that I pay the bill fully restored my consciousness, because if there is anything that I dislike it is assuming another fellow's debt. I informed the telephone operator that I did not know the man.

She requested me to wait and I stood there in the dark, with a cool breeze from the lake blowing through my pajamas, while the operator discussed the matter with the invisible caller at the other end of the wire. At the end of three or four minutes, I heard the jingle of coin and a heavy masculine voice came over the wire.

"Hello, is this Bushfield?"

"Yes."

"Governor Bushfield?"

"Yes."

"Well, my name is Stimson. I voted for you, and my daughter stayed out after nine o'clock tonight and I want you to help me put a stop to it."

The situation was so unusual that I had to stall for a moment

or two, but I finally replied that it was something scarcely within my jurisdiction to arrange for ringing the curfew on his daughter—wondering meantime whether the daughter had learned the old song of “Curfew Shall Not Ring Tonight.”

My seeming reluctance to assume full charge of the case evidently irritated the man on the other end of the wire for he inquired:

“You mean to say you won’t help me get my daughter home?”

I replied again that it was not within my jurisdiction to play chaperon to a disobedient daughter.

“Well,” he retorted, “I hope you will pardon my language, but just what in hell is a governor for?”

“Brother,” I answered, “there have been times when I have wondered about that myself.”

So, I am sure that you will all agree with me that we should solemnly resolve here to do something about cases similar to that. In fact, there ought to be a law.

My experience in office has implanted firmly in my mind the feeling that there is needed legislation along many similar lines. Shortly after my inauguration I visited the penitentiary in my state to familiarize myself with the inside workings of that institution. While there I was called to the warden’s office with the request that I talk with one of the inmates. When the man came to the office we were introduced and I was informed that he was doing a long stretch for bank robbery.

For half an hour I sat there listening to his story; a story of complaint; a story of dissatisfaction. He told me about his long hours, about the monotony of his meals three times a day, about the limitation placed upon the inmates of not more than two prison movies a week. He complained about his room. He did not like steam heat. The lavatory supplying hot and cold water was objectionable because he had to clean it. A mob had threatened to lynch him, but he did not approve of the security of his steel and concrete cell. The sum and substance of it was that he was ill treated and wanted out.

At that particular time I had some five thousand loyal South Dakotans clamoring for jobs. They besieged my office doors in the state capitol from morning to night. They were ringing my door bell at the executive mansion. The legislature was in session too, and each member wanted something. The job seekers were calling me from bed in the middle of the night. My meals

were irregular, or not at all. Even in the furnace room of the mansion I was not safe, because the furnace growled, emitted smoke, and went out.

Finally, I shook hands with the bank robber and said: "Brother, I want you to understand that I belong to the under privileged one-third of the population. I am ill fed, ill clothed, and ill housed. Would you consider an even swap of jobs? I will pardon you if you will crack a bank after you get out and pin it on me, so that I can get your security."

Let me write the laws, and he who will can write the songs. I am a full-blooded American, full of Scotch—not the liquid kind—and I adhere to the God-given right of every American to regulate everything by law, except myself. That is one thing upon which we all agree. By some sort of legislative hocus-pocus, we firmly believe everything wrong with us, socially, economically, financially or spiritually can be cured by a law. I insist that my neighbor be regulated. I like to get up on Sunday mornings at the crack of dawn and whistle and bang and sing in my garden, and I object to my neighbor sleeping peacefully through it all. I object even more when my whistling wakens him and he slams his bedroom window in my face. I am sure if I were given the power to write the law I could take care of that case. The difficulty is that I have not yet worked out the formula by which I can exempt myself from such regulatory provisions.

That we subscribe to the theory that law is a panacea for all our ills is amply proven by the fact that during the last ten years we, this race of super-intelligent Americans, have passed 500,000 laws forbidding ourselves from doing this or that, prescribing jail for things that we have long thought proper, and taking away rights that we supposed were embedded in the Constitution.

There was a time when I was a boy that I was encouraged to save my nickels and dimes. I remember that I had a small iron bank in the shape of a school house, with a slot over the door, in which I placed my savings,—and then asked Dad for my spending money. Periodically, after weeks of gruelling frugality, I would take my savings to the bank. There I exchanged my nickels and dimes for gold and placed it very carefully in a safety deposit box, which my father suggested that I rent. You all remember how every bank had a tray on the counter with gold pieces on it. I was obsessed with the desire for a supply of

that yellow metal. Our teacher often spoke of the virtue of saving and of putting away something for a rainy day. My dad expounded whenever I asked for spending money. Even the preacher in my Sunday school taught the virtue of hoarding. Not that my small savings lasted any length of time. The few pieces of gold that I treasured so carefully in my safety deposit box disappeared long, long ago, because like all lawyers the subject of hoarding has never troubled me to any great extent.

What I am trying to say is that we were taught that saving was a virtue to be cultivated above all others. And then, lo and behold, without warning, the Congress made us all criminals—gold hoarding was made a crime. The right of possession of property, which we thought guaranteed by the Constitution, was taken away. If we are now caught with any of the illicit gold in our hands, or under our basement floor, or in a safety deposit box, we are hailed before the court as felons.

Of course none of these 500,000 laws that have been enacted during the last ten years have improved our social or economic conditions in any way that the average man on the street can notice. They have not put our twelve million idle back to work. They have not stopped the gossiping of our neighbors as to whether or not we are still beating our wives. But, yes, there is one exception to that. They have been of some service to us, a service which I almost overlooked, but one that is still fresh in the minds of every American. They taught us how to get rich by not raising wheat, or corn, or pigs, and that is something for which we can give thanks to those in authority for yielding to the demand that there ought to be a law.

The trouble with this legislative legerdemain is that we may go to bed at night believing that we are God-fearing, law-abiding citizens, and awaken the next morning with the knowledge that we are criminals. You may recall a time not long ago when gentlemen were accustomed to gather for a quiet hour of liquid cheer before dinner. Then almost overnight that pleasant intellectual exercise was transmuted into a crime. We had to build bigger and better jails. Our penitentiaries were filled to overflowing. New federal judgeships were created to administer the new justice. Bar tenders became enforcement agents, and distillers retired to contemplate the ingratitude of man.

We tried manfully to reorganize our existence. We even succeeded so far that we had our personal bootleggers who brought

the stuff straight from Canada, by way of Minneapolis, Chicago, or Detroit, with honest-to-goodness labels and seals upon the bottles. The new system worked perfectly, and we were satisfied that we had surmounted the difficulties of the Eighteenth Amendment. Too, we could brag about the superior quality of our own particular stock or display our skill in fermented dandelion juice. And then the law was knocked from under our feet and we had a perfectly good system of distribution on our hands with nothing to distribute. We could once more walk in the front door of our grog shop on the main street of our home town and, with one foot hooked on the rail and an elbow on the counter, discuss or cuss the President.

Then there are those new policies of government not yet embedded in the written law, but having the full force of law by executive decree. Most of us, especially governors, were brought up on the theory that honesty is the best policy. I once had a framed motto to that effect hanging in my law office. A dollar owed was a dollar to be paid. We were under obligation to save until that dollar was liquidated. Nowadays, the debt is so liquid that it flows on and on forever with no intent to pay. This topsy-turvy scheme, which is teaching us not to pay debts, to spend our way into prosperity, to declare our forty-five billion dollar public debt not a debt at all because we owe it to ourselves, has some compensation. It makes for a happy-go-lucky world, with the sun always shining and everything growing brighter, just as each succeeding drink paints the world in rose color—until the morning after. But even then, with each new dawn we continue to drink and spend, and the headache is postponed. In the end we will have ulcers and go on a milk diet, with aspirin for a side dish, but why worry about the ultima Thule until we arrive at the gates. In this happy-go-lucky topsy-turvy new existence to which we have become accustomed these last few years, we have really come to believe that there is a Santa Claus, even we governors. At least we have discovered, to our own satisfaction, that there is a benevolent old gent in a high hat, white chin whiskers and striped pants, who sprinkles his gifts with a generosity never heard of in the days of safe and sane living. We have also discovered another thing which our predecessors never believed and that is no one, except the taxpayer, seems to care how lavishly dear old Uncle Sam spends our money. That doesn't bother us, because no one expects a

lawyer or a governor to pay taxes. Even that old proverb "To him who hath shall be given" is reversed in this delightful topsy-turvy America. It is now written that "he who hath shall give to the tax collector—until it hurts."

You know I like that phrase that we have heard from time to time during the last few years of "the more abundant life." It is a mouth-filling phrase, as well as an ear-filler, and there are those whose pockets are even filled by reason of it. It is a phrase that goes well over the radio, if you have a voice for the radio, a phrase that seems to appeal to the under-privileged one-third to which you and I belong.

Now-a-days if you are a farmer you don't have to worry about the weather, or the rainfall, or the grasshoppers, or the frosts. All you need to do under this beneficent "more abundant life" philosophy is to apply to the Secretary of Agriculture for permission to go to Matanuska, or to one of the many homestead properties now maintained by the Federal Government. If you can convince the Secretary that you are needy, and have registered properly, it is not at all difficult to secure an electric refrigerator, stove, clock, vacuum cleaner, and an iron. You can also have a new set of furniture. By a little diplomacy you can have your work done by a government tractor.

If you are a banker, with frozen assets—and there seem to be some of those—you need only to ask the Reconstruction Finance Corporation to dump a new supply of money in your bank vault, take over the securities that no one wants, and continue on your way as a prominent citizen.

If you are a merchant, you need no longer worry about wholesale bills, taxes, or the wage and hour law, or unemployment compensation. Hold an auction, dispose of your stock and secure the management of the surplus commodities store in your town. There you have no debt, no advertising account, no taxes.

If you are a writer you need not worry longer about the obstacles of the writing profession. Merely apply to the Federal Writers Project for a job writing an historical sketch of your state. You can then thumb your noses at the publisher who has been sending back your manuscript with the well-phrased note: "This does not necessarily imply that your work is not good, but it is unsuited for this particular publication."

If you are a laboring man, get on WPA. You no longer have to get up at six o'clock in the morning to milk the cows, or

harvest the grain, or plow the corn. You can't be fired. It is an ideal life. I recommend it to you brother governors when you get out of office. The only objection that I have to the present beneficent arrangement is that so far I have been unable to figure out what has been done for the legal profession. Surely there must be some project whereby a lawyer can connect with the federal payroll. I hate to think that we are the real forgotten men.

But I almost forgot one important class. To us governors this more abundant life is manna from heaven. The ideal existence for us may be easily attained if we will accept, with graciousness, the orders sent to us from Washington, pass the prepared bills that are sent out by special messenger or air mail, adopt the merit system prepared by the Federal Social Security Department. If we do as we are told, we will find our coffers overflowing with federal largess. We can play Santa Claus to our constituents.

There is another new idea that appeals to me also. It is that of balancing the federal budget by going further into debt. To me it seems to be the final word in statesmanship. It solves all our debts, economic, financial, social—if it will work. Christopher Columbus proved the earth is round by traveling in reverse. So why not pay our debts by going further in the hole. It is so simple that I am surprised some governor did not discover it. I understand there is considerable talk of the government taking over the public school system—at least there is a bill in Congress appropriating money for federal aid to schools, and that means the same thing. It will relieve us of a lot of work. The district school board will no longer have any worries about hiring and firing teachers, or levying taxes, or calling once a month upon the new teacher to see how she is getting along with her problem children. A lot of us are lame in arithmetic, and this new educational scheme will no doubt be of benefit in teaching the three r's. We will become familiar with figures so that they will no longer frighten us. Tom Reed said once that this is a billion dollar country. But Tom was only in the kindergarten class. We of today have finished high school and matriculated into college. A billion is just chicken feed to us. But I do have one sound suggestion for Congress. Instead of appropriating \$9,860,114.00, why not make it in round figures such as \$10,000,000,000.00? It will be easier for the bookkeep-

ers, and with only a million federal employees we do not want to overwork our small office force.

Then there was that seven billion dollars for national defense that the Congress, with some grumbling, appropriated during the last three or four years. It is gone. The admirals and the generals in the army tell us quite emphatically that it is gone. There seems to be nothing to show for it. The sixty billions we have spent in the last seven years have built a lot of dams, and dog pounds, and little theatres, but now that we need some planes and ammunition, we haven't any money. The Wizard of Oz existence of the last few years is only a dream and, in the light of cold reality, we are jittery and hysterical and scared over something that has been here all the time. We have sat here on the seat of our government-bought pants, with our eyes wide open, coasting along, with no effort whatever to make ready for the rainy day. We were not ready in 1861, and the Union lost thousands of men because of lack of physicians and equipment. We were not ready in 1898, and we subjected men to typhoid and rotten beef because of it. We were not ready in 1917 with either men, munitions or guns, but the marvelous part of it was that we were ready in the short space of a year. We are again caught with our pants down and we are liable to have a lot of frozen assets before we get to the store to buy a new pair. Democracies never seem to learn from experience. We ramble along, wrangling over experiments in government that we all know have been tried before and cast aside as worthless. We have been trying to remake the world, including ourselves, without taking cognizance of human nature. We have been a nation of Little Red Riding Hoods, refusing to see the wolf that swallowed our granny when she tried to play with him.

Probably our way of doing things is the best in the long run, for our particular kind of government. Too large an army would be used inevitably for something other than fighting a foreign enemy. Humanity never changes. Caesar's legions were the same as Americans in uniform. Power breeds power. Every man who is given power wants more of it.

But now, no matter what our shortcomings, we agree that American defense must be impregnable. Defense is not an issue, nor the subject of argument. But to permit hysteria to sweep us off our feet is inexcusable and criminal. There will be no invasion of America—unless we ask for it. There are those who

say that our place is in Europe, but to them my plea is to hold in check their emotionalism. Few of such citizens could, under any circumstances, take part in a military expedition, even in their own back yards. Our only danger is from within. Norway, Belgium, Holland, Denmark, all fell because of enemies within their borders. Let us see to it that the enemies within our gates are cast out, or made harmless.

We are interested in the war, yes, but not to the exclusion of our own self interest. No matter who wins over there, we must feed and clothe 130,000,000 Americans. Industry and farming must function, and so must government. War for us means dictatorship, a dictatorship created by ourselves, a dictatorship that will in all probability destroy the American form of government. The waves of hysteria emanating from Washington can bring nothing but harm to the American people. If there is one thing that we, as governors of the sovereign states of this country can do, it is to use every power at our disposal to quiet that hysteria. Those who preach full participation "short of war" are blind to the realities of life. That means war itself in all its ghastly hideousness. When it is finished we will have the deadly enmity of one side or the other and that we must prevent. Are you men, heads of your respective states, willing to assume the responsibility of warning your own people of the dangers of hysteria that are now rising like poison clouds above the horizon of this country? If we fail in that grave duty we are not worthy to hold the high offices that the people of our states have bestowed upon us.

Third Business Session

HON. ROBERT L. COCHRAN, *Chairman*
GOVERNOR OF NEBRASKA

WEDNESDAY, JUNE 5, 1940

GRAND BALLROOM, HOTEL DULUTH

DULUTH, MINNESOTA

Land Utilization

GOVERNOR STARK: Gentlemen, we will now come to order. Governor Leahy, of Puerto Rico, who was to preside has a bad throat, and the doctor says he must stay in his room, so I am going to ask Governor Cochran to temporarily preside.

GOVERNOR COCHRAN: Governor Stark, Gentlemen: The first address on our program this morning has to do with the subject of "State Development Through Land Utilization." It is my privilege to present to you a man who has made a great study of this subject over a period of years in his home state of Vermont. I am glad to present Governor George D. Aiken of Vermont.

"STATE DEVELOPMENT THROUGH LAND UTILIZATION"

*Address by HON. GEORGE D. AIKEN
Governor of Vermont*

As a member of your graduating class, Governor Cochran, I want to take this opportunity to say how much I have enjoyed the associations of this Conference during the four years that I have been a member of it. And to Governor Stassen I want to say that I haven't words to express the appreciation for the hospitality of the people of Minnesota during our visit here. The topic I have this morning may be one which will be of greater interest because the world is full of international affairs and national complications brought about by the desire for land on the part of the people or of the government.

During the past few years, we have heard more about practical utilization of land and seen fewer of our acres in actual use than at any time for several decades. Curtailed foreign markets for farm products, increased importation of agricultural and silvicultural products and a depressed domestic market have resulted in lessened activity on our farms and in our forests.

The improvement of modern machinery, the general use of the automobile and tractor in place of the horse, the manufacture and increased use of higher grade fertilizers, the production of higher yielding varieties of grains and better grades of livestock, have made it possible to produce for our curtailed domestic needs at a lower cost than previously with a vastly reduced amount of manual labor.

The decreased market and the increased production per acre and per man have resulted in vast areas of our nation becoming unnecessary for agricultural production as well as uneconomic to operate, at least at present.

Farms, once profitable when the market was greater and crops were raised by hand labor, do not now pay to operate because they are not adapted to the use of modern equipment, although their occupants are still faced with the problem of making a living. Other great tracts of farm land, having the top soil exhausted by three generations of careless use have become easy victims of flood and wind, the agencies of erosion.

In the management of our forests we have behaved more like short term tenants than like permanent owners, interested only in getting the greatest return from the land during the few years of our occupancy. Millions of acres stripped of timber on which another crop cannot be produced for seventy-five years, constitute a frozen asset both to its owners and to the public.

Now that we have somewhat recovered from the shock of realizing what we, acting as tenants, have done, we are somewhat reluctantly beginning to think about what we should do now. We know pretty much what we should do, but have given little thought to how we should do it. It seems to me that how we proceed is fully as important as what we do to repair the damages incurred in our careless utilization of our land, while we were acting as if the United States was not our homestead.

The trend today is to increase the proportion of land in public ownership. We all agree that some increase in public ownership is an advisable and healthy trend for the period which we are now entering. But along with this program is a dangerous policy advocated by many. This policy is one which would place all land, privately owned as well as public, under public supervision with governmental direction of its detailed management.

Under such a policy, which we may well admit is rapidly be-

coming a practice, the farmer would be told what to plant, where to plant, when and at what price to sell. He would be told when and where to cut his timber and when and where to pasture his livestock with this direction imposed solely from a national viewpoint.

The judgment or needs of the farmer or of a million farmers would be subordinated to what, in one man's opinion, would enhance the national welfare. If imposed restrictions were to bring distress to the farmer and his family, he would be taken care of by a federal check provided he agreed to submerge his own viewpoint and be certified to receive this subsidy.

We hear much about prudent use of our resources, referring usually to such visible and tangible resources as metal, timber and oil. But the greatest of all resources which any nation can have, is the self reliance, the thrift and the devotion of its citizens and their willingness to defend it even with their lives. This resource becomes greater in the aggregate as the percentage of independent land owners and home owners in a nation increases, and would most certainly decrease under the policy just described.

Without prejudice to other folks less fortunate, I will say that home owners and land owners feel a greater sense of security and a devout sense of responsibility for the welfare of their local, state and national governments.

Nobody owning a home and land over which he is master and even dictator, which he can use or abuse, which he can beautify or sometimes despoil, is interested in overthrowing government by the people. Farmers don't rob their soil or despoil their forests because they want to. They do it only when they have to.

There is land enough in America to provide homes and goodly acres around those homes for every family, and still leave a large proportion for public ownership. I believe that private ownership of homes and lands in America should be encouraged to the fullest extent. I don't mean that we should encourage great corporations to own hundreds of thousands of acres. That would not be wise. But I do mean that we should encourage hundreds of thousands of families to own reasonable areas.

Planning for community, state and regional development and conservation should be done as near home as possible. Planning

from above may sometimes produce nationwide benefits, but it also magnifies mistakes on a nationwide scale. Arbitrary decisions imposed from above incite disturbing emotions in the hearts of those most affected and least consulted. Truly we have our land utilization problems today. We can make headway only by community, state and national governments working in harmony. We welcome national leadership but resent any attempts at national domination.

Whenever a program is developed looking to the efficient use of our lands, final decisions must always rest with the home folks, lest in conserving one national resource we lose another, and vastly more vital one.

Big as is our job of restoring our depleted land and important as is proper utilization of land and resources to a nation if it is to prosper and survive, yet it cannot now be our major concern. In a few months time we have seen the destruction of nation after nation whose peoples for generations have protected their land resources by following the most enlightened practices in forestry and agriculture. Their hard intelligent work, and their thrift have provided fatter picking for the invader.

The rush of invading armies through the Low Countries of Europe has suddenly robbed us of our last fancied security, isolation. We are shocked and bewildered at the sudden realization of this fact. But what disturbs us more is that here in America, those who advocate fighting totalitarian governments by abandoning all our democratic processes of government and turning our republic into a totalitarian state, get a ready hearing.

For years, so-called intellectuals have been attacking the American philosophy of government and the American way of life. Some have attempted to kill off our national heroes by writing smear biographies, in which the small weaknesses of the subject were featured and his contribution to the good of his country minimized. They have told our people they would be so much better off if European practices of government were followed, if we changed here and there and got a faster working streamlined model of government.

In the name of efficiency, benevolence and conservation they have been sapping our self-reliance, our sense of duty and our pride. They have not explained to our people that government without constitutional check or hindrance and streamlined for immediate action at the will of a ruler is not a new thing in the

world. It has repeatedly been in force through the centuries of history.

Primitive people were told that their rulers were divine. More recently, subjects were told "The King can do no Wrong." The "planners" of today have not explained to our people, perhaps because they overlooked it, that our liberty would disappear if the changes they advocate should come about, unless they were able also to change human nature in the governing.

These people were at work long before the Fifth Column was heard of. Unquestionably they have added to our confusion and have weakened the national morale. We must recognize this and correct it. We must not let American citizens lose another vestige of the accumulated heritage of freedom which we hold in trust today.

We have lost the last of our fancied national securities. Three thousand miles of water no longer guarantees our national safety. At last we are awake and face to face with reality. We know now that we have one and only one real security, and that it lies not alone in the productive capacity, but also in the courage, the purpose of the American people and their determination to sacrifice to preserve free government, to work harder or to do with less so that their country may be prepared.

Events in Europe have proven that unity of the people behind the lines is fully as important to the safety of a country as are trained and equipped military forces. Without such unity, any military effort will collapse. But such unity is difficult to maintain while half our people are fearing the destruction of democratic processes.

It seems to me that our duty as members of this conference is plain. We are not experts on industrial production. Our efforts would not directly or immediately increase the number of planes or tanks or guns. We can and should help build morale. It is our duty to assure people that our form of government is stable, and to demonstrate to them that we can and will keep the spirit, the form and the traditions of our republic.

GOVERNOR COCHRAN: I am sure that we all enjoyed the discussion of Land Utilization by Governor Aiken of Vermont. Now we will move to Indiana, and I am glad to have the privilege to present Governor Clifford Townsend, who, like Governor Aiken and myself, are in the graduating class of this year.

“THE PLACE OF THE STATE IN A
LAND USE PROGRAM”

*Address by HON. M. CLIFFORD TOWNSEND
Governor of Indiana*

MR. CHAIRMAN, MEMBERS OF THE CONFERENCE, LADIES AND GENTLEMEN: I do want to thank Governor Stassen and all the committees that have made our stay here so pleasant and so profitable. I have been at every Conference of Governors since I have been Governor of Indiana, and have enjoyed all of them. I know I have been greatly benefited by them, and I also feel that the general welfare of our several states has, in more ways than one, been benefited by these Conferences. While we are continually trying to solve these particular problems, we do, and have made suggestions that I know all of us have carried home in a cooperative manner and administered to the general welfare.

I want to make a speech today in favor of State's rights. I believe you will agree that a Democrat has every historical right to make such a speech. I am afraid, however, that the phrase "State's rights" is not quite broad enough to carry the meaning I have in mind; I intend to speak not only of the "rights" but also of the powers, of the privileges, and of the challenging opportunities that each of our State governments possesses for significant achievement in the field of agriculture.

The last seven years have seen a very large development of national legislation in agriculture. The national legislature has provided for the Agricultural Adjustment Administration, the Soil Conservation Service, the Farm Security Administration, the Grazing Service, the Rural Electrification Administration, and the program for flood control work on watersheds. In addition, the work of the older agencies, such as the Forest Service, the Bureau of Reclamation, and some of the research bureaus of the United States Department of Agriculture, has been broadened. Through these agencies the National Government is making long strides in the direction of helping farmers to achieve a more stable, more prosperous, more conservational agriculture.

In the nature of the case, however, the problem of agricultural conservation and adjustment is one which the national

government can not solve through its own efforts. This is a big country. Our 48 states include within their boundaries more than a dozen distinct major type-of-farming areas. Within these 12 to 15 major type-of-farming areas we can locate more than 100 subregions with reasonably well-defined boundaries. A large number of different types of techniques need to be used to bring the lands in these different states, subregions and regions into their best use in the public interest. Some of the techniques that need to be employed are entirely outside the constitutional power of the Federal Government. It is quite generally recognized, therefore, that to meet these pressing problems in agriculture it is not enough for the national government alone to adopt the type of legislation that is within its proper sphere, and not enough for the state governments alone to adopt the kind of legislation that is within their proper sphere. We can hope to solve our problems only if the national government, the several state governments, and even such local units as the counties, soil conservation districts, and the like, will each adopt the kind of legislation that is appropriate for it, and that it is best equipped to administer.

Now, the first thing I want to emphasize on this point is that during recent years the state legislatures have been very active in meeting their share of this responsibility. Let me select a few illustrations, more or less at random. California, for example, has contributed much to the development of the law of water rights, as well as to county planning and zoning. Wisconsin has pioneered with regard to rural zoning and the forest crop law. The ground water law of New Mexico is being urged upon other states as a model piece of legislation. Ohio has adopted a forest tax law and a recent statute authorizing the State to acquire chronically tax-delinquent lands for conservation purposes. The recent county consolidation legislation and several county zoning enabling acts show that Tennessee is active in this field.

A county zoning enabling act was recently introduced into the Kentucky legislature, and I am informed that the Governor of Kentucky has either recently appointed, or has announced the proposed appointment of a Governor's Committee to study farm tenancy. Pennsylvania has adopted a county planning and zoning law. North Dakota has adopted legislation concerning the reorganization of county government and a grazing associ-

ation law. The legislature in Oklahoma has considered legislation dealing with landlord-tenant relationships on the farm. South Dakota has adopted a county land management act, and a grazing association law.

Most of you, I am sure, are informed about the pioneer work done in New York on the administration of tax reverted lands in forest areas, and some of you may know about the recent law permitting counties to utilize a stream-lined procedure to foreclose liens for delinquent taxes. The Kansas legislative council is at work on legislation to encourage the retirement of sub-marginal crop lands to grass. Colorado has a planning and zoning act. Arkansas is making a study of landlord-tenant relationships. Missouri has established a Conservation Commission. Montana has adopted a grass conservation act as well as legislation making possible better administration of county lands. The forest tree exemption law of Connecticut is a significant mile-post. Georgia has enabled several of its counties to adopt rural zoning. The Governor of Iowa has appointed a Farm Tenancy Commission. The legislature of Maine has provided for the economic organization and financing of government in the unorganized territory of the state. Michigan has been one of the pioneers in rural zoning and the administration of tax-delinquent lands. Minnesota, too, has a rural zoning law, and has recently improved methods of acquiring state tax titles. North Carolina has recently revised its tax collection procedures. Oregon has a reforestation law and a recent statute facilitating school district reorganization.

In my own state, in 1935, we adopted a county planning and zoning act, and in 1939 a law authorizing the State Department of Conservation to acquire tax delinquent lands that cannot be sold at tax sale, and to utilize these lands for conservation purposes.

In addition to all this, 38 states have within the last four years adopted soil conservation district laws patterned, in most cases, after a Standard State Soil Conservation Districts Law which was cooperatively worked out by representatives of various state agencies and the United States Department of Agriculture. Under these laws more than 300 soil conservation districts have already been organized on the basis of petitions signed by farmers asking for their organization and after the holding of referenda in which farmers have indicated, in most cases by

overwhelmingly large majority votes, that they welcome this opportunity to organize themselves for the administration of their own erosion control and soil conservation programs. One of the major agencies of the United States Department of Agriculture—the Soil Conservation Service—is devoting more and more of its personnel and funds to facilitating the operation of these districts.

This long list, which I have deliberately extended in order to emphasize the significant accomplishments of the state legislatures in this field in recent years, is only a random selection among many more items that could be mentioned.

I am not specially concerned, however, to spend my time today encouraging you to rest on your laurels. The clear fact remains that there is a great deal more of state legislation and state administration in the field of land use that we have not been doing, but that we ought to undertake and to administer.

I have heard other speakers on the subject of state's rights bemoan the fact that the Federal Government is doing so much in the field of agricultural legislation. I have very little sympathy with such moaning. An enormously large number of the problems of agriculture cannot be solved by action of the state legislatures alone. I, for one, therefore welcome strong national legislation and large national appropriations for the purpose of helping agriculture to a prosperous adjustment to changing world conditions. When a national government, however, has done all that it is within its constitutional power to do, there remains a large and significant field which should be occupied by state legislatures and state administrative agencies.

I want to suggest to you today that the thing for us state's righters to do is to move in on this as yet only partially occupied territory of state legislation for better land use. There is no one that can, or that will want to, stop us from rounding out the national agricultural program with our own state agricultural programs. In this way national and state efforts can supplement and support each other for the mutual good of us all.

Now, what are some of the major lines of activity that some or all of the states are today neglecting, but upon which we ought to embark?

I might mention, first, state legislation to enable counties or other local units of government to adopt rural zoning ordi-

nances. Some of the many rural zoning enabling acts now in force are defective because they lack in clarity, or provide inadequate administrative machinery, or fail to provide adequate democratic controls over the process, or contain inadequate enforcement provisions. These statutes need to be improved upon, and the great majority of States need to adopt new legislation in this field.

I am well aware that a program of rural zoning is not equally important or valuable in every part of the country. This device will probably have greatest value in areas like the cut-over regions of the lake states, and in other regions where it is important to prevent new agricultural settlement in submarginal areas.

Let me mention, second, the problem of modification of procedures for public acquisition of tax delinquent lands. Every state has some sort of legislation on this subject. The tax officers and conservationists tell me, however, that in most states the meaning of the statutes and court decisions is so obscure that no one can, with any degree of assurance, determine precisely when lands may be offered for tax sale, precisely when the right of redemption has finally terminated, precisely what agency is supposed to administer the unredeemed lands, and the like.

I would mention, thirdly, the need in the great majority of states for legislation providing some sort of State land development and land management agency. Such an agency should have authority to survey and classify lands that come into public ownership through the tax delinquency route or other involuntary routes. Those lands that are appropriate for private operation may then be offered for resale. Provision should be made for resale. Provision should be made for assigning lands that are not appropriate for private use to the suitable State or local agency for administration. In some cases this may be the State Forester, or the State Conservation Commissioner. In other cases it may be a county or a school district, or a soil conservation district.

I would mention, next, the need for legislation dealing with the rights and obligations, as between themselves, of the farm landlord and the farm tenant. A statute that would require farm leases to be in writing would in itself go a long way toward clarifying reciprocal rights and obligations in this field. A statute that added the requirement that farm leases run for at least

two years would be enormously valuable in stabilizing farm operations and in giving tenants a greater feeling of security, and hence in encouraging them to follow conservational practices. We should study, also, the possibility of providing a fair and equitable procedure for compensating tenants for the value of unexhausted improvements when the landlord refuses to renew a farm lease after the tenant has made such improvements at his own expense. Such legislation would go a long way to encourage tenants to make improvements and to develop a strong personal interest in the lands that they farm.

I mention, next, a topic on which much thought has been expended and with which it is very difficult to deal. In all we have no less than the thundering total of 175,000 units of government operating in our country. The boundaries of most of these, of course, overlap one or another units. Nearly all of these have the power to levy taxes and issue bonds. In addition to possessing so many unnecessary units of government, we lack certain other necessary kinds. I might mention, in particular, as an example, the fact that many of our metropolitan areas have no single unit of government for the area as a whole.

I do not feel that we are warranted in being pessimistic about the possibility of providing for reorganization and consolidation of local units of government. There is much that can be done in this field if state governors will provide leadership for this purpose. The North Dakota legislature adopted in 1939 a special statutory procedure under which a county may become an unorganized area and become attached to an adjacent county for certain minimum governmental necessities. This kind of procedure is desirable where a particular county has too few or too poor a population to support the general range of county governmental expenses.

Two other important fields of state land use legislation that are open to us may be more briefly indicated, since you are all familiar with them. One would be legislation encouraging proper forest practices on privately-owned forest lands. Another, legislation improving the administrative procedures for the acquisition and disposal of rights to the use of water. This last type of legislation is of special significance, of course, only in the 17 western states. It is a striking fact that of all the 17 western states, New Mexico alone has a statute regulating the use of underground waters, even though the problem of conservation

of ground waters is one of the most crucial problems that faces the West.

Here is a program that would give new vitality, prestige and significance to state government. In rural zoning and in tax delinquency statutes, in the better management of state lands, in promoting better landlord-tenant relationships on the farm, in the reorganization of local units of government, and in promoting the conservational use of soil, of forests, and of water, we can carve out a large and significant field for state activity.

There is no good reason why legislative progress should always be considered as requiring decades for fruition. A great deal of study and thought has already been expended upon every problem I have discussed with you today. There is hardly a state in which the Extension Service and the Experiment Stations have not issued bulletins dealing with one or another phase of these activities. I am confident that the United States Department of Agriculture would cooperate enthusiastically in considering the problems involved and in making available data and material bearing upon these programs.

Basic to our prosperity and our well-being is the soil. A prosperous conservational agriculture is the only secure foundation upon which national and local well-being can be built.

The state governors of today have a unique opportunity to play a large and significant role in guiding their people and stimulating their legislatures to provide the new institutions and techniques that will enable us to do our part to improve the functioning of agriculture in our land.

The war that is devastating Europe is threatening the continuation of democratic liberties. The counter-offensive which we in the United States need to launch consists in the strengthening of our democratic institutions. Institutions grow strong by being used significantly. It is only as we meet our problems and fashion the techniques essential for their solution that our democracy can continue to grow as strong, as prosperous, and hence as *safe* as we all fondly hope.

GOVERNOR COCHRAN: Governor Townsend, we appreciate your very able discussion of this subject.

State-City Relations

G OVERNOR COCHRAN: As long as we have had municipal government, we have had a relationship, a working relationship between the two as a matter of necessity; particularly so in recent years have we found problems of a mutual character between state governments and municipal. I think it is most fortunate today that we have the subject of "The State and Its Cities." Governor Baldwin will now discuss the subject involved.

"THE STATE AND ITS CITIES"

*Address by HON. RAYMOND E. BALDWIN
Governor of Connecticut*

MR. CHAIRMAN, YOUR EXCELLENCIES, LADIES AND GENTLEMEN: Governor Townsend and Governor Aiken pay tribute to the fact that being in their fourth year of government, they are in the graduating class this year. I can't lay any similar claim to any such distinctions. As a matter of fact, I am just a sophomore, with the prospects that I will be dropped from the school before I reach the senior year. But I want to say here, that we folks who have come to visit from Connecticut, have had a grand time, Governor Stassen, and are mighty glad and grateful to you good people for your hospitality. We shall go back to Connecticut full of praise for the kindness and friendliness of the people of Minnesota, and for the beauty and the resources of this great city.

I have been asked to speak to you upon the subject of "The State and Its Cities." Let me say to you that I come from a State, Connecticut, that since the founding of this Republic, and for one hundred and fifty years before that, as a Colony, has clung tenaciously to principles of local autonomy. An outline map of the State of Connecticut might help to make my point clear. We have, in our State, one hundred sixty-nine

towns. Now, they are not, as in some other States, separate entities set down and surrounded by wide open spaces: We have no gaps or spaces—open land that does not lie within the corporate limits—between our towns. The border of the Town of New Haven is the border of the adjoining Town of Hamden, and the border of the Town of Hamden is the border of the adjoining Town of Cheshire, and so on, just as the border of the State of Illinois is the border of the adjoining State of Wisconsin, and the border of the State of Wisconsin is the border of the adjoining State of Minnesota. There is no space in-between. In Connecticut, as elsewhere, the County government is superimposed upon, and embraces, the Towns, and the state government is superimposed upon, and embraces, the Counties, but we in Connecticut still cling to the fundamental conception—a conception fundamental, indeed, to the founding of our Republic—that the power of government is vested in the people: therefore those agencies of government closest to home, nearest to the people—the town governments, the local governments—are the most important.

Now this, I know, is contrary to the trend of recent years. There has been an increasing development from two directions, from the top down and from the bottom up. On the one hand, there are those who assert that the states, state laws, unnecessarily hamper the cities in the processes of self-government; and on the other hand there are those who assert that the cities already are taking too much upon themselves, are functioning too freely as independent units of government, ignoring the state. In this latter connection, it is pointed out, the process is aided and abetted by the Federal Government.

In years past, the Federal Government dealt only with the states, but more recently municipalities and other local governments have come increasingly to deal directly with the Federal Government in certain fields. Thus, for example, the cities borrow money directly from the RFC; they deal directly with the PWA, and, in many instances, with the WPA. Housing contracts are made directly. Yet, on the other hand, we have complaint that "The states have been neglecting their cities. The Federal Government has alternated between preserving them financially, placing new burdens upon them, and sapping their authority and influence. The states generally have treated their cities like unwanted step-children. The Federal Govern-

ment has alternately been like a grandfather seeking favor and an avaricious guardian." (What I have just said to you is a quotation from an address delivered by an official of the Municipal Finance Officers' Association of the United States and Canada in 1937.)

At any rate, I think, we can come to one conclusion: we are badly muddled—badly muddled in our city-state, and in our city-state-federal, relationships.

I think that we may say also, with some accuracy, that there has been, and there is still, a very definite trend of effort towards (shall we say?) breaking down state lines, state influences, and state authority. The effort definitely has been, and continues to be, towards centralization of authority, away from the cities, away from the states—centralization of authority in the hands of the Federal Government in Washington, in the hands of a federal bureaucracy.

In part, the states have been complacent in this. It is to be expected, perhaps, that state administrations, blood brothers politically to an administration in Washington, would offer no serious objection to—indeed, would be inclined to further—what the Washington administration sought to do. This goes by the more euphonious word of "cooperation," which gets away from the "rubber stamp" label. But the point is, one step leads to another: this attitude of complacency allows or winks at changes, minor in themselves, that are so gradual as to be individually all but imperceptible; but the sum total of these changes, the variations from principle, is such in the aggregate as to be terrific. The result is to destroy the political fabric.

For we must determine, here in our own land, as the rest of the world is having to determine, what the fabric, the structure, the basic principle, of Government shall be. The basic principle upon which this nation was founded was decentralization. That is the principle diametrically opposed to totalitarianism, and the more you depart from that principle of decentralization the nearer you come to totalitarianism: every step away from decentralization is a step towards totalitarianism, and it doesn't matter much what your excuse may be.

Let me say to you that we, here in this land of ours, in these sovereign states of ours, should decide what our basic strategy is going to be. The national defense today is uppermost in all men's minds—fifty thousand airplanes, yes, and guns and bombs

and tanks and mechanized units, but in providing for our national defense we should give thought also, first thought, to the strategy of that defense. Now I say to you, a democracy, a democracy in a Republic such as ours, can not fight totalitarianism, nor defend itself from totalitarianism, by itself employing totalitarian methods. You do not preserve yourself from a thing by embracing it. We have all watched, from afar, the appalling efficiency (shall we say?) of the German blitzkrieg. We must defend ourselves, we say, from that, from that "new" method of warfare. I say to you today that our American system, our American "set-up," decentralization, is our first line of defense against blitzkrieg methods, if that is what we are looking for.

For if you have studied the technique of the blitzkrieg, you will note this: The technique is a simple one. Some point of a defensive line is attacked, burst open at all costs. Through this break pour mechanized troops, tanks, armored cars, motorcycles, supported by airplanes overhead, and when it has gotten through the break the column "bursts," spraying out in all directions. What you have, then, if I may use the illustration, is Indian fighting with modern weapons—the very nth degree of modern weapons, yes, but Indian fighting, tree to tree and ditch to ditch and house to house, village to village and city to city. There is no centralization: the advantage all is in the opposite direction.

It would be a wonderful thing, and, I think, a great aid to our national defense, if we were to begin now to advertise to the world that the nation that attacks the United States attacks, not one nation, but forty-eight. That is our strategic strength: you can not conquer America by conquering one state, or the District of Columbia, or ten states, or twenty. These are the United States, but each one of our states is a sovereign entity. Now, of all times, we should not lose sight of that principle.

If I seem to digress from my subject, "The State and Its Cities," I beg you: bear with me a moment; I think that you will see the connection. Our minds are preoccupied, just now, with problems of the national defense—what parts we, the several states and our cities, towns, villages, hamlets and farm lands shall have to play. The question must inevitably arise now, in any discussion of "The State and Its Cities," whether the state, the individual state, or its cities individually, matter now. I think they do. I think that they, the cities especially, are the keys

to our national security, now more so than ever. The blitzkrieg has demonstrated the weakness of front line defense: where there is a blitzkrieg, there is no front line. But geographic distances, here in our United States, far surpass anything in Europe. A front line?—yes, if ever an enemy attempted our shore, undoubtedly there would be a front line. But behind that front line would lie our states, and within each state its cities, and each city a strong-point. That should be our defense strategy. You may bomb Duluth, but a tremendous distance away lies New Orleans, and it does you no good to bomb Duluth if New Orleans is equally effectively organized.

This is not to say, of course, that there is not a vital need for strong coordination. Now as never before our forty-eight states must tie in together for mutual strength and protection. And now as never before our federation of states must have in Washington a strong Federal Government in whose judgment and policies and direction the people of our states may have the utmost confidence. The principle of federal union, however, can not and must not be discarded in favor of the strongly centralized and nationalized political structures common to Europe, which are the very things we seek to avoid. We must and we can prove that Democracy in a Republic can organize successfully to meet any demand that may be made upon it.

The real test of a thing comes when it is subjected to stress. That is true of men, of machines, and of democracy. We may say, I think, with fair assurance, that our democracy, here in these United States, already has been tested, both in peace and war, and it has stood up. But you can not change it, you can not alter its basic principles: if you do that, you have something different from what you had before; the previous tests may not apply; you do not know what it will do.

For my part, I can not see a great deal of difference in the basic problem now confronting us and the basic problem that has confronted us for the past eight years. A sound national defense and a sound national economy are the obverse and reverse of the same coin. Both are dependent, utterly, in our modern civilization, upon productive effort. I think that it fairly may be said that our national defense picture would be much better, much more encouraging, today if productive effort had been more encouraged in this land of ours these past several years. Certainly, our supply of skilled man-power avail-

able for national defense purposes would be much greater if we had, now, ten million employed instead of ten million still unemployed.

Let me say to you that I have given some study to the matter, and I do not think that we should be too optimistic as to the effect our preparations for national defense will have upon unemployment. Three billion dollars is a lot of money, but not all of this, remember, will be for wages. The payroll of this country, for the year 1939, totaled forty-three billion seven hundred seventy-three million dollars. The 1929 total of wages was fifty-two billion three hundred fifty-two million dollars, so you see the whole three billion for national defense, added to the 1939 figure, would not bring us back, even, to the 1929 level. As a matter of fact, three billion dollars is just about what we spent last year (1939), sum total, for WPA and other Federal work projects, general relief, the CCC, the NYA: that was the amount, in earnings and in public assistance doled out to persons in these categories. I don't know how much of a dent three billions for defense (but not, let me remind you again, all of it for wages) is going to make in that picture. I am afraid that we are still going to have the unemployment problem with us.

And the problem of "relief," I think you all will agree, is one of the most vexing ones we have to confront in our state-city relationships. The attitude of the Federal Government has encouraged our municipalities to go over our heads, direct to the capitol at Washington instead of to the state capitol. You may say that it would do them no good to go to the state capitol: the state has no money; but that is exactly the point—the money that the Federal Government spends for "relief" comes from the states (there is no other source from which it can come), but the states do not have control of it, nor control over its employment. This is not to say that the Federal Government could not, or should not, play an important part in the "relief" set-up: indeed it could and should; but that part should be that of a collecting and disbursing agency. We are all willing to pool our resources: some states are better able to contribute, while others stand in need of contributions, and we are all willing that the Federal Government should be the collecting and disbursing—yes, and even the allocating—agency. But then let the money, our own money, remember, be disbursed—be allocated—back

to the states. Let the states, in turn, disburse it, allocate it, down through the towns, and let the local people who know local needs and local conditions better than anyone else distribute it where it is needed. What possible valid objection can there be to that?

Let me say to you that the basic American principle of Government is this: First, that the Federal Government, with the exception of those specific powers granted in the Constitution, should do nothing for or in the states that the states are equally well able to do for themselves.

Second, the states in turn should do nothing for or in the municipalities, the counties, cities, towns, that the municipalities are equally well able to do for themselves.

Even where the state turns to the Federal Government for aid, even then it is the function of the Federal Government, not to rush in to seize authority, but to assist the state. Just as it is the function of the state, when a municipality turns to it for help, to assist that municipality—not rush in and seek to supplant the local government with state authority.

If we tried that in our state affairs, we know very well what would happen, the uproar that would ensue. Yet we have been allowing just that to happen in our national affairs, and we are just beginning to come awake to its implications.

Aside from "relief" and the infringements by federal authorities upon our States' rights in relation to our municipalities, I suppose the most vexing problem of all is taxes. If the municipalities within our states are to have autonomous powers to provide for their own necessities and desires, what guarantees have we that they may not, upon occasion, perhaps, overstep the bounds of prudence? This, let us be frank to admit, presents us who hold state office with a nice political problem of our own. Mr. Average Citizen, we know, is not apt to differentiate between purely local taxes and state taxes: he looks simply at the tax total, and if it is so high as to arouse his resentment, we all are in the same boat, state administration and local administration alike. That is the purely political side of the picture, but the other side is equally compelling. If we are truly trying to do a job for the tax-payers of the state, we may, as we have in Connecticut, do our utmost to give them honest and efficient state government at the lowest possible cost. In Connecticut, we have balanced our budget, we have eliminated

waste and unnecessary expense in our state departments. When we took office, in January, 1939, we inherited an indicated State deficit of more than a million dollars: today, we are "in the black," we have a surplus in the State Treasury. And with all of this, we have not increased taxes (except the hard-liquor tax, to bring it into line with the hard-liquor taxes of neighboring states); we have no new taxes; we have no sales tax; we have no State income tax. We have succeeded in doing all this, and yet we know—we have the uneasy feeling—that it may mean nothing to Mr. Average Citizen if the municipality in which he lives "goes off the reservation," goes wild on some unwise project or other, with consequent increases in his local tax-bill. It is useless for the state to lower taxes if the municipality is going to increase them. It is useless for the state to set its face against reckless spending policies if municipal administrations, of opposite beliefs, are going nevertheless to countenance them. The effect on the tax-payer's pocketbook is there, then, just the same.

And when the federal authority reaches down into the state, to the municipality direct, to encourage the municipality to perhaps unwise expenditures or commitments, then indeed the state is helpless.

There is still another angle to this picture, for what I have just said works in reverse, too, just as well. There is very little that the state can do to relieve its people of the burden of federal taxes. Thus, for example, we have been striving in Connecticut to cope with the problem of unemployment—or, as we prefer to see it, of employment, for there, we believe, is where the emphasis properly belongs—upon employment, not unemployment. Government, these past several years, has been entirely too preoccupied with unemployment, with "relief," and not enough occupied with doing those things that would encourage employment, encourage jobs, make "relief" unnecessary. In Connecticut, our state government has been engaged in doing some of those things, at least, that we believe do encourage jobs: our balanced budget, our determination to live within our means, our avoidance of new taxes, our efforts to run our state departments on a businesslike basis, our friendly attitude—"friendly government," openly, militantly friendly to business, to private industry, yes and to labor—all are parts of that program. It has been a successful program. People have

been going back to work in our state. Jobs are opening up. And this started, I might say, before the present "war boom." In December, 1939, general local relief in Connecticut had been reduced 20.8 per cent, and general local relief costs were down 12.2 per cent—this in comparison with December 1938, the month before the present administration took office. WPA was down 24.1 per cent, and WPA costs in Connecticut were down 43.9 per cent. Now, the point I want to make is this: the reduction in the costs of general local relief is, of course, directly beneficial to the tax-payers in the towns, for the towns, assisted by the state, pay those costs entirely. But there is little or no benefit to the tax-payers through the reduction in WPA—that is to say, the state is unable to show, and the tax-payer is unable to see, any reduction in the federal tax bill. There is, of course, a great economic benefit to the state in putting twenty-four out of every hundred men who were "on WPA" back to work, but there is no direct benefit to the tax-payer, no demonstrable effect upon his tax bill.

That is our situation here, you see: just as municipalities, if they run wild, may destroy the tax picture, so no matter what the efforts of the state government, the weight of federal policies may make or break us, and there is very little we can do about them.

And while we are speaking upon the subject of taxation there is a problem that is becoming increasingly acute where there are large centers of population. The people of most of our larger communities have overflowed the city limits and are moving out into the nearby country, producing large metropolitan areas. This leaves to those who remain in the city an increasing tax burden and oftentimes results in a wide discrepancy between the tax rate in the city and that in the immediately adjoining community that is suburban in character although the same public services of schools, police and fire protection, improved highways and the like are available in both. We must devise some method of evening out the tax burden. That is a problem that can best be handled by the state government acting with her cities.

Let me say to all of you here today that, despite handicaps, we have found business and private industry in our state strikingly receptive to "friendly government." The result has been jobs, jobs for the unemployed, good jobs in private em-

ployment, and that is what we have wanted for our Connecticut people most of all. We believe in Connecticut in encouraging business, encouraging private industry, encouraging productive effort, because that is where—in productive effort, in business, in private industry—that is the only place where jobs lie.

Today we are all of us in our respective states confronted with the roles that we shall have to play in the national defense program. Industry's cooperation is vital to that program, and that means the cooperation of local industry, local to each state and local in each state down through its cities and towns. A nation-wide demand for workers competent to man our industrial line of defense already is making itself felt. In our present position the supply of competent working people is far below normal. Industry in this country has not enjoyed a normal expansion—some say it has not been permitted to expand—during the past decade.

The normal flow, therefore, of beginners into industry has been curtailed, and to obtain the necessary workers now we shall find it necessary to reach down into the ranks of our unemployed, our youth, and give those unemployed beginners' training.

The demands upon industry on the other hand, are so great that we should be unwise to expect industry itself to stop now to give all the green men needed that necessary training. To do so would be to slow up production. And therefore, government now proposes training programs. I think that we should make the point now that such programs, if they are to meet efficiently the needs of local industries, must be localized in character and direction to fit local requirements. We must not make the same mistake here that we made in the handling of "relief." Instead of the Federal Government seeking to superimpose a plan administered from Washington upon the entire country, we must decentralize, passing the responsibility for local training to meet local needs down to the States and through the States down to the cities and towns to suit the local needs of the local industries in those communities. The State Department of Education should be coordinated with industry and federal funds, if needed, should be expended by the states.

Let me say to you that we feel strongly about this in Connecticut, first because early in the depression we handled "relief" in our state through a bi-partisan and non-partisan state board

that passed the responsibility along in just such manner to our cities and towns, and we found that that method worked better than any devised since. And secondly, we have now in our state a program of "job-training" that has been under way for the past nine months on exactly this basis of suiting local training to local needs under local direction, and that method, we think, has proven itself very definitely with very definite results—so much so, indeed, that last week we received a request from the office of the United States Commissioner of Education, asking us to furnish all details as a possible help in the formulation of the national program. No doubt other states have likewise been called upon for similar suggestions.

In our state, throughout our state, in all of our industrial areas, there are committees, local committees of local business men and manufacturers.

These committees came into being nine months ago, as the spontaneous reaction of business and private industry in Connecticut to the efforts of "friendly government" to put people back to work. Local business men and local industrial leaders formed local groups to help tackle the problem of employment—employment, not unemployment—locally, which is the only real way to tackle that problem. Decentralization again, you see: but who should know better, when it comes to employment—who should know better what local conditions are, what local opportunities exist, what local problems exist and how to solve them—who should know better than the local employers, the local business men and manufacturers in whose local plants and offices and stores the local unemployed must find jobs?

Out of one such group as this—the Hartford group—came the suggestion for what we call, in Connecticut, "job-training." We found that one-third of our employable unemployed in Connecticut (and this holds largely true of the nation) are boys and girls and young men and young women between the ages of sixteen and twenty-five, untrained, unskilled, without experience: who have never, in fact, had real jobs, in their lives. And another one-third, roughly, is composed of the "skill-rusty" older workers, skilled once, but who have lost their skills, become "rusty," through prolonged unemployment. It was the Hartford group's suggestion that perhaps these "Forgotten Youth" and these "skill-rusty" older people could be trained—could be given an intensive course of training that

would take the "rust" off the older workers' skills, and that would give the younger people some experience, some knowledge of machines, at least, that would enable them to get at least beginners' jobs—give them a fighting chance, anyway.

Let me say that we have found this "job-training" very successful: so successful, indeed, that it may be one answer to the national defense problem that now confronts us, here throughout these United States, in the need, the nationwide need, for skilled workmen to man our defense industries. In our Connecticut "job-training" schools we have demonstrated that it is entirely practicable, through intensive training concentrated upon specific machines, to turn out competent beginners—I say "beginners" because you can not, by any stretch of the imagination, regard them as finished workers, nor even as apprentices: this is not apprentice-training—but you can turn them out competent to hold down beginners' jobs.

And you can turn them out faster, and train them at less expense per man, by "job-training," than industry itself can train them by taking them into plants and factories "raw." Job-training, in Connecticut, already had been extended from Hartford to other cities with local variations in training to meet local needs, before the present national emergency. Now, with expanding production in our state, we plan to extend "job-training" even farther. I want to emphasize to you, however, that these "job-training" schools are not "state projects"—they are not "government projects"—they are the local efforts of local business men and local manufacturers in our local communities. This is their response to "friendly government." "Friendly Government" simply is cooperating with them.

Our local business men's and manufacturers' committees, organized nine months ago, today are playing another important role. They are our councils, industrial and business councils, of national defense. Our efforts in Connecticut to encourage and to befriend business and private industry and labor are paying big dividends. For nine months our local committees have been working—along another line, it is true: along the line of endeavoring to bring about more jobs, increased employment; but that, of its own nature, required that they familiarize themselves, each committee locally with local conditions, with local production and employment possibilities. So, now, we have at our fingers' tips all this knowledge—not only the knowledge,

but the local contacts, the business and industrial leaders in every town—and when the demand for national defense arose it was necessary only for me to call in the chairmen of these local committees, already set up and functioning. Within twenty-four hours, Connecticut was industrially mobilized, set up on a defense basis. A similar meeting was held with the mayors of our principal towns: emergencies are no new things to Connecticut: in two wars we have had invading soldiers on our shores. It is good to have traditions to fall back on, traditions to live up to. The tradition that we fall back upon, try to live up to, in Connecticut (and it is as good a tradition in peace as it is in an emergency) is that of the New England town, each town independent, all of them inter-dependent.

We know, in Connecticut, that each town will do its part, its best: beyond that, the towns look to the state, not forfeiting any of their rights or liberties, but looking to the state simply for coordination where coordination is necessary, and for those things above and beyond the resources and powers of the towns that the state can do more ably. This, I think, is the ideal relationship of the state to its cities, and of the Federal Government to the states. It is the basic way of American government. May I say to you all that Connecticut joins you, her sister states, forty-eight sovereign states and their cities standing shoulder-to-shoulder, unafraid.

GOVERNOR COCHRAN: Thank you Governor Baldwin, for the very fine discussion.

DISCUSSION

GOVERNOR COCHRAN: It has been suggested that we have forty-five minutes, and that we proceed with the discussions. First, the subject, "State Development Through Land Utilization." Does any member have anything to say in reference to this subject, or with reference to the discussion by Governor Aiken or Governor Townsend? If not, is there any discussion desired with reference to Governor Baldwin's paper, "The State and Its Cities"?

A GOVERNOR: Mr. Chairman, I would like to know whether or not other states have training schools. We established one a year ago, a large training school. It cost half a million dollars. Are there any in Connecticut and Delaware? One citizen and

the Federal Government put up the money. One of our public spirited citizens.

GOVERNOR COCHRAN: Are there any other states where single programs are carried out?

GOVERNOR AIKEN: We have three in our state.

GOVERNOR STASSEN: We have taken quite a step along that same line. In cooperation with some of the men who entered the last legislature, we have developed a printers' training, particularly craft and trade.

GOVERNOR BALDWIN: We have eleven in Connecticut. They have been used in the past to supplement the training in the factories. Of course we turned out the average two-year course, and some four-year courses, but even then they are just beginners. There are many different types in each community now working with the manufacturers of that community to develop the programs suited to train the type of workers they need. This job training is the thing we put in the Trade Schools, some of them on two shifts, and some on three shifts, using the equipment and teaching. We had to get additional teachers. The industry furnished those so we have four of our Trade Schools now on three shifts, and have no trouble getting boys, young men and older men. They all want to come and take these special courses.

GOVERNOR TOWNSEND: There has been a demand for that I know. It was voted on by the Social Security group in their meeting in New York to have it extended to agricultural workers and domestic workers.

GOVERNOR COCHRAN: I have heard no proposals in our section of the country for it. Of course there are the tractors and mechanized machinery, but the women furnish most of the farm employment. If there is no further discussion, the meeting will be adjourned.

Fourth Business Session

HON. JOHN MOSES, *Chairman*
GOVERNOR OF NORTH DAKOTA

Wednesday Afternoon, June 5, 1940

Grand Ballroom, Hotel Duluth

Duluth, Minnesota

Interstate Trade Barriers

GOVERNOR STARK: This afternoon it gives me great pleasure to introduce to you, the presiding officer, Governor Moses of North Dakota.

GOVERNOR MOSES: Unfortunately Governor Johnson of Mississippi will not be able to be here, so we will come to the next address to be given by Governor Cochran of Nebraska.

It may be of interest, both to the graduating class and to the sophomores, to know how a man is regarded among his own people. I was sitting next to a certain person during this Conference, who said, "Governor Cochran has been an excellent Governor." I do not think, ladies and gentlemen, that as a Commencement Address, I can say more. I want to call upon Governor Cochran who is very active in fostering this very important work, that was first started by the Governors' Conference years ago, the task of eliminating trade barriers within the respective states. Governor Cochran.

"ELIMINATING TRADE BARRIERS—AN EXAMPLE OF COOPERATIVE ACTION AMONG THE STATES"

*Address by HON. ROBERT L. COCHRAN
Governor of Nebraska*

GOVERNOR MOSES, GOVERNOR STASSEN, FELLOW GOVERNORS: As was said this morning by Governor Aiken, I am a member of the graduating class and it has been my privilege to attend six successive Conferences of Governors, so I have had a great privilege over a number of years. I have learned much from these Conferences, and also how we can cooperate together through the Council of State Governments and the Governors' Conferences in the solution of common problems. I have had much to do with administrative work for more than twenty-five years.

The strength of our federal structure lies in national unity.

At few times in our history has there been greater need for unity of thought and action between the states than at present. This need exists at all times, but it is emphasized by our present emergency conditions resulting from the present state of troubled international affairs.

For three-fourths of a century, since the Civil War, we have thought of the union of the states as definite and complete and yet we, as governors of the component parts of this structure, realize that in recent years the individual character of these states has been emphasized rather than the interdependence of the states, one on the other. Thus, we have let loose a force which has tended to create disunion threatening that national unity so essential to our national welfare and, therefore, the welfare of the individual states. I refer to the problem of commercial trade barriers between the states, a problem that has engaged the attention of all of the states of the union and created a trend which, if not curbed, will, in effect, result in 48 separate countries when we consider commercial intercourse among the states.

Free trade in principle was guaranteed by the Constitution and yet to make it effective required definite cooperation between the states. For nearly a century there was an exercise of cooperation between the states to make effective the intent of the framers of our Constitution. It has been a cooperation induced by a division of powers between the states and the national government, and by a division of jurisdictional areas among the states. These two factors have created an interdependence which has welded our nation of many races, geographic extremes, and economic differences into a solid unit which transcends its federal structure. It remained for the present generation to build trade barriers by legislative and administrative methods which have tended to separate the states, thus threatening the national unity contemplated by the framers of our government.

This principle of cooperation has been the cornerstone of our national growth. The extent to which we have departed from this principle of cooperation in recent years is best illustrated when we examine the conditions which existed under the Articles of Confederation and which led to the calling of a constitutional convention. Realizing the desperate need for more unity among the colonies than that afforded by the

Articles of Confederation, leaders of 1787 devised governmental machinery which would both stimulate and implement cooperation among the states. In substance, this machinery bound the colonies together through a central government to which were delegated certain powers formerly resting in the hands of the colonies. And most significant of these powers, which the Supreme Court soon termed irrevocably delegated, was that pertaining to interstate commerce. The urgent need for this provision is well illustrated by Madison's remarks, written before the calling of the Constitutional Convention:

"The practice of many states in restricting the commercial intercourse with other states and putting their productions and manufactures on the same footing with those of foreign nations, though not contrary to the Federal Articles, is certainly adverse to the spirit of the union, and tends to beget retaliating regulations, not less expensive and vexatious to themselves than they are destructive of the general harmony."

Upon ratification of the Constitution, regulation of interstate commerce immediately fell within the jurisdiction of the national government. Commerce began to flow freely and unhindered among the states. This national power removed for the time being the possibility of interstate friction in commercial and economic matters, and stimulated a cooperative approach.

The inclusion of the commerce clause did not preclude the desirability of voluntary cooperation among the states, particularly on problems which had not been foreseen at that time. A compact clause was introduced to take care of such eventualities. But over a period of time, despite the successful use of this cooperative medium on a number of occasions, the compact has proved less effective than possibly was anticipated. Interstate compacts are slow of adoption, too binding, and too rigid for many purposes.

As the years rolled on, the necessity for cooperation among the states became more and more acute. A century and a half ago, the methods first incorporated in the Constitution seemed adequate to meet the needs of the day. But the United States soon spread southward and westward across the continent, its population became more transitory, its transportation facilities expanded, and its industrial and agricultural life developed in

terms of the nation rather than the state. Using the same methods as in 1800, the states in the nineteen-hundreds tried to tackle, on a local basis, problems which now had become regional or national. They soon found that, acting individually, they could only grasp and regulate, in many instances, a part of a problem rather than its entirety. The scope of their jurisdictions was too limited. It became more and more evident that if the states were to apply effective solutions, they must act jointly and uniformly.

The inadequacies of the existing machinery became more pronounced upon the emergence of a new situation. The commerce clause, originally introduced into the Constitution to protect free trade among the states, was apparently being circumvented in practice. This provision so fundamental to a perpetuation of the cooperative approach, was now being undermined by state trade barriers, comparable to those barriers which have preyed on international commerce since the days when boats first began to ply the oceans. Here was an age-old practice returning in a new area and in a new world to plague mankind.

These barriers made their initial appearance in large numbers in the early thirties. A precise analysis of their causes is not possible, though their advent at the time of the depression offers clues as to the motivations. In general, it can be said that they were intended to protect local producers and distributors from out of state competition, and in some instances, to raise additional revenue for the state treasuries which were so rapidly being depleted by the increasing demands for relief. These trade barriers, now estimated to be over * 1400 in number, are imposed both by statute and administrative regulation, through license fees, excise taxes, and various merchandising and inspection requirements. The story is now an old one. We all know of them, and deplore them, for they sap our national economy, create artificial conditions of production, raise prices and lower standards of quality. In many instances trade barriers have stimulated political ill-will between two or more states.

As a result of the removal of trade barriers by the adoption of our federal Constitution, a century and a half ago, the United States became the greatest free-trade area in the world. This

* United States Marketing Law Survey.

advantage permitted an uninterrupted and rapid development between sections and between states. Farmers and manufacturers, under our federal system, were to be free to produce wherever conditions were favorable and they were to have the right to sell their products in any part of the country without unnecessary hindrance. As a matter of fact, the absence of trade restrictions has been one of the greatest factors in making America great.

Now, after a century and a half, we find that there has been a growing tendency in the direction of reverting to the establishment of trade walls between states somewhat as they existed at the beginning of our country, just prior to the adoption of the federal Constitution.

The trade barrier problem falls squarely in the laps of the states themselves, for the discriminations are the product of state legislation which does not trespass on the fields of jurisdiction delegated to the national government, though they clearly impose burdens on interstate commerce by indirection. If the states are responsible for their enactment, they should then also be responsible for their removal. Nor have they shirked this responsibility. First the Governors, at their 1938 meeting in Oklahoma, voiced serious concern over the trend, and departed from a hard and fast precedent by authorizing me, as their Chairman, to announce publicly our unanimous condemnation of trade barriers. In previous years, the Conference had refrained from making any statements of policy. The Council of State Governments, shortly thereafter, placed this whole problem as "item number one" on its agenda, at the direction of its General Assembly, a meeting representing all the states. It resolved that:

"In accordance with the recommendation of the Midwest Regional Assembly of the Council of State Governments, this Fourth General Assembly of the Council recognizes that trade barriers, under any guise, are detrimental to the economic welfare of the country:

"That this Assembly recommends complete adherence to the traditional American policy of free trade between the forty-eight states:

"That this Assembly requests the secretariat of the Coun-

cil of State Governments to study legislation and policies which tend to create such barriers and to restrict the free flow of commerce; and

"That this Assembly call an interstate conference on this subject, to be attended by legislative and administrative delegates designated by the cooperation commissions of the various states."

In February, 1939, the Council set the wheels of its cooperative machinery running at high speed. It summoned a group of experts to help formulate its approach to the problem of interstate trade barriers. Then for a month and a half it carried on intensive research and widespread publicity. Trade barriers soon became a by-word; public officials and private citizens alike were suddenly made aware, first of their existence, secondly of their serious implications. This campaign was climaxed by a National Conference on Interstate Trade Barriers which drew to Chicago some four hundred public officials, representing 42 states, and other individuals concerned with the problem. From that conference came forth a clear cut and unambiguous statement. "The National Conference on Interstate Trade Barriers declares itself to be unalterably opposed to the erection of these discriminatory trade barriers." A program of action was furthermore set forth in a series of committee reports.

This Conference merely marked the initial step in the Council's concerted effort to eliminate interstate trade barriers. Since then it has worked for the closer coordination of the activities of all other governmental agencies heading in the same direction. More particularly, it has sponsored numerous regional conferences where trade barrier frictions have been removed, has cleared the way for informal negotiations, and in general has bent its efforts toward furthering any amicable solution of such controversies. At the end of over a year's time, it can safely be reported that the trend has been reversed. The Council, in other words, had available adequate governmental machinery to use in fighting this spreading economic sectionalism.

A few examples will illustrate the results: The Oklahoma legislature repealed its port-of-entry law, and Texas dropped her proposal to establish a similar system. In Nebraska the authority of ports has been limited to the inspection necessary

to enforce the importation of motor vehicle fuels. At the same time New Mexico approved legislation permitting the state to enter into reciprocal agreements allowing livestock growers to use their motor vehicles in New Mexico and neighboring states by paying license fees only in their place of residence. She further lowered restrictions on trucks bringing lumber and livestock into the state, while Arizona, her neighbor, defeated a bill to prohibit the transportation of inflammable liquids in motor vehicles in quantities greater than 1500 gallons.

The strong opposition of New York Joint Legislative Committee on Interstate Cooperation prevented the passage of a bill requiring that all materials to be used in the construction of public buildings, which were not mined or quarried in New York, must be fabricated and finished within the state. In Ohio, a proposal to limit the purchase of coal for state institutions to that mined in Ohio was defeated as a result of the work of the Cooperation Commission. Public purchase preference bills were defeated in Connecticut, Texas, and Kansas. New Hampshire refused to pass a bill discriminating against out-of-state salesmen.

Oregon and Vermont lawmakers defeated bills imposing an oleomargarine tax, and Iowa defeated a proposed increase of taxes on this product. Mississippi, during its recent session, has repealed its oleomargarine tax. Duties or inspection fees levied on farm products of other states were defeated in Arkansas, California, Florida, and Rhode Island. The agriculture departments of the western states are cooperating in an effective effort to eliminate discriminatory quarantines.

Indiana repealed her liquor port-of-entry system law which had been the cause of so much ill feeling on the part of her neighbors, and almost immediately Missouri followed with the repeal of her so-called anti-discriminatory liquor statute. Illinois has recently revised her administrative practice with respect to the transportation of liquor to conform to those of neighboring states. Many other states took similar action in defeating trade barrier legislation and in repealing existing laws.

Important as are the specific trade barriers which had been turned aside this year, of possibly greater importance for the future is the spirit of cooperation which has been displayed by legislators and governors of so many states during 1939 and the

early part of 1940. A number of governors have stated that they would veto any legislation tending to establish trade barriers. The Maryland General Assembly passed a resolution which called upon each of the states to discourage the erection of barriers, and Florida declared its opposition to any measure directly or indirectly establishing any trade barrier between Florida and any other state. New York and Pennsylvania, at a recent meeting, adopted a policy to the effect that neither state would adopt any trade barrier practice which would in any way discriminate against out-of-state products.

A complete solution of this trade barrier problem is not necessarily to be found in the interstate method so far applied. Trade barriers, though an outgrowth of the depression, are also the product of our federal system of government. What we have is piecemeal, and consequently irregular application of rules and restrictions to products shipped in interstate commerce. These commodities are subject to certain regulations in their state of origin, their state of destination, and most likely in the states they cross during transit. The Federal Government in addition imposes requirements. This multiple regulation naturally leads to inconveniences and hardships on interstate commerce. And the more such commerce grows, the more evident become these barriers.

In the past, the Supreme Court has done much to maintain unobstructed the channels of interstate trade. But its job has been a difficult one. The original pattern of federalism envisaged relatively complete independence and separateness of the states and the central government, and for a time each went on without much relationship to the other. As conditions changed, the Court, through judicial interpretations, tried to reorient the relationship between the two levels so that they might better conform to new situations. Federal powers, for example, were expanded over interstate commerce. But the Court was not in a position to formulate an entirely new concept of federal regulation of interstate commerce. As recently stated by one of the Justices in handing down a decision, "Spasmodic and unrelated instances of litigation cannot afford an adequate basis for the creation of integrated national rules which alone can afford that full protection for interstate commerce intended by the Constitution."

The success of the Council's efforts are best understood in

terms of its growth and purpose. It was at the height of the depression—in 1933—that there finally came into being a program designed to develop on a constructive and inclusive scale the cooperative approach among the states. This program, founded upon interstate cooperation, as promoted through the American Legislators' Association, and developed into the Council of State Governments, was conceived by Henry W. Toll. He clearly visualized the problem as it confronted American federalism. He realized that unless the states took positive action and proved themselves competent to solve pressing economic and social problems which the national government has as yet not touched, the national government would be obliged to step in.

The objectives of the Council of State Governments are derived from the proposition that the states have failed to act cooperatively to any large extent because the necessary governmental machinery did not exist. Provide the machinery and the wheels of cooperation can then be set in motion. With this in view, as a preliminary and basic step, Commissions on Interstate Cooperation have been established in all but four states of the union. These Commissions, composed of five members of each house of the legislature and five governor's appointees, represent their states on matters which have interstate ramifications. Their structure is such that all conclusions reached during interstate negotiations can immediately be brought to the attention of the various branches of the government responsible for their approval and implementation. The Council of State Governments and its regional offices serve as a clearing house and research center for these Commissions.

Closely associated with its coordination of these Commissions are the Council's activities as secretariat for a number of national associations of state officials and as headquarters for the Governors' Conference. It has been able to assist in the closer coordination of efforts to promote interstate cooperation.

Its success has been widespread. Through the medium of these interstate conferences, from which come forth uniform laws, reciprocal agreements, mutual understandings, and basic to these—mutual concessions—the states have reconciled their differences on many problems and adopted common ways of handling them cooperatively. Pollution control, highway and truck regulation, banking and security laws, liquor control,

conservation, fish depletion, milk inspection, and taxation are some of the many subjects which have been tackled. Through this procedure any one state can individually bring some matter to the attention of neighboring states by simply calling an interstate conference through the facilities of the Council of State Governments.

It appears now that interstate cooperation and court action must be supported by close federal-state cooperation which would harmonize rather than disassociate the activities of the state and federal governments on similar problems. This was pointedly suggested to the Temporary National Economic Committee by the Executive Director of the Council of State Governments, at its recent hearings on interstate trade barriers:

“Effective solution can be had only by joint action of national and state governments, and in order to explore this complicated problem in its many aspects and to develop ‘a national policy fair alike to the states and to our Union,’ it is suggested that this Committee recommend to the Congress the establishment at its present session of a continuing Committee on Federal-State Relations. Such a committee, it would seem, could very well follow the pattern of the Temporary National Economic Committee and consist of representatives from the Senate, the House of Representatives, and the administrative branch of the Government. This committee, if established, could work in cooperation with the organization representing the states, namely, the Council of State Governments, and could survey the entire situation in all of its ramifications with the idea of presenting to the next Congress a comprehensive plan looking toward cooperation and participation by all levels of government which, it has been clearly demonstrated, is necessary for a practical solution of the problem of interstate trade barriers.

“It would be our hope that such a committee, if established, would not confine itself exclusively to this one problem, but in cooperation with the Council of State Governments and other interested organizations, would explore other major questions of Federal-state relationships so pertinent to the effective operation of our government—problems arising from conflicting and overlapping tax laws, grants-in-aid and their effect upon education, highways, health and

welfare, as well as general state and federal services, the development and coordination of our various systems of transportation and problems of personnel inherent in the federal, state and local cooperative government which we have developed.

"Such a committee, of a continuing nature, concerning itself with the general problem of Federal-State relationships, would constitute an agency through which difficult problems could be solved, and through which our entire governmental machinery could be made to work more efficiently and economically for the common good."

On the other hand, it may well be that under our present social and economic conditions, the commerce clause needs to receive a new emphasis which will make it a more forceful instrument for regulating interstate commerce.

The growth of these trade barriers points to a situation in this country which deserves the most careful and thorough consideration, for upon its clear analysis may rest the future of our system of government. It is this! When thinking in terms of our industrial and agricultural activities, and other phases of our economic and social life, we look upon the country as the "Union" rather than as these "United States." We conceive of economic life as developing freely within the national boundaries, unrestricted by local or regional restraints. On the other hand, our political life is clearly separated into 48 separate governments with a central Federal Government performing certain over-all delegated functions. The political structure is built on a federal concept; the economic and social structure on a national one.

If our federal structure is to persist, the states must become effective units through which can be performed the essential tasks of our democracy. This means not only regulation of the economic life, but also the preservation of liberties, insurance of equal opportunity, and rendition of necessary services. Competence to do these as the key-word for states' rights can only be justified in terms of states' competence. And competence presupposes a regional and national approach to many governmental problems. If these objectives can be attained, if the states can eliminate among themselves the existing interstate frictions and promote uniformity of action, they will forestall

trends toward federal centralization and at the same time contribute immeasurably toward the maintenance and effective operation of democratic government.

I would like to take this occasion to express to Governor Stassen our gratitude for the royal entertainment we have received here in the state of Minnesota. As I have said before, I have attended these Conferences consecutively for six years. I have been honored twice in being elected Chairman of the Executive Committee, and have served four of those six years on that committee. I know of no Conference held in any place during those years where we were more royally entertained than we have been here. It has been very educational as well as a period of fine entertainment. I have been most happy to be here.

GOVERNOR MOSES: Before we commence the discussion of the problems raised by Governor Cochran's very interesting and very thoughtful address, I want to add my personal thanks to Governor Stassen for the very splendid reception we have had in Duluth and in the State of Minnesota. The whole program has been excellent.

I think, possibly, if the program had been planned recently, in view of the dangerous situation that now confronts the country, perhaps more of the discussions would have been devoted to problems which face us as Governors in our respective states. We have had a very splendid discussion, however, and personally I am heartily in sympathy with the statement made at the opening of this Conference, regarding the unanimous views of the Governors in our respective states as to the national situation, and the readiness of these executives to do their utmost to further the interest of this nation in this critical time, and to further the need for an accurate national defense.

DISCUSSION

I think now that the time is ready for a discussion of the problems raised in Governor Cochran's address. I want to say that our state, some years ago, passed a tax on oleomargarine, a rather strong tax for the purpose of furthering the various interests of our state. And when Governor Cochran mentioned there were fourteen hundred such trade barrier regulations, forms of law, forms of administrative regulation, I am be-

ginning to suspect that possibly the state of North Dakota is guilty. We did defeat a bill in the last legislature seeking to impose a tax with reference to motor vehicle transportation in our state. I am very happy to say the matter is now open for discussion.

A GOVERNOR: Aren't the trade barriers, or some of them, of a totalitarian nature?

GOVERNOR COCHRAN: Yes, I think that is pretty general. And many of them are administrative as well as legislative.

GOVERNOR McMULLEN: My attention was called recently to a rather significant fact. We have two very large fish oil and phosphate factories. They send fish to the factories by the shipload during certain seasons. A neighboring state arrested the captain of a fishing boat off the coast of New Jersey for violating one of their laws. I communicated with the Governor of that state, trying to get that law abandoned or repealed. They had a very small factory in that state, and it was definitely for the protection and benefit of their own small factory that they wanted to prohibit all fishing in their waters. Delaware has no such restrictions on fishing, but it has a license for pleasure boats that anyone can get for the nominal fee of ten dollars.

Some trucks have to cross four or five states to reach the New York market and the motor vehicle regulations cause the drivers a great deal of inconvenience. The roads down there are very cheaply constructed and don't allow trucks. Nearly every season Delaware trucks get into such controversies. The Governor promised a few years ago to see that the matter is straightened out.

GOVERNOR O'CONOR: I would like to ask Governor Cochran whether there is any practical method whereby a provision of law could impose a greater barrier where there is a clause buried in another bill.

GOVERNOR COCHRAN: I think the best way to avoid a situation like that, Governor O'Connor, of having a trade barrier clause buried in some other bill, would be to have the members of the legislature who belong to this committee watch for those things.

GOVERNOR AIKEN: Don't you think the members of the state legislature are "trade barrier conscious" for the most part?

GOVERNOR COCHRAN: Yes, I do.

MR. BANE: Mr. Chairman, Gentlemen: May I take the opportunity to make two or three other comments. I have been very much interested in the analogy that has been running through, particularly today. I want to carry the analogy a little farther, not from an academic point of view, but from an athletic point of view. A view that has become increasingly more important in recent years. Speaking athletically of what happened to me in my last year in college. For three years I played on the football team that had been extremely successful. I was greatly distressed by the fact that my entire class graduated, and it seems to me that is what is happening to our Secretary and Treasurer. My entire backfield, Governor Stark, Governor Cochran, Governor Aiken and Governor Townsend, are all leaving at once. All of them are going into other fields of endeavor due to constitutional reasons in their states. It just so happens that long before I became associated with the Council of State Governments and with the Governors' Conference, I had many and varied contacts with these four Governors in one capacity or another, and therefore, I was much pleased when I found them on the Executive Committee and Governors' Conference, the organizations with which I was to work. And since they are all leaving, I want to take this opportunity to say to them individually, what a pleasure it has been for me and for my entire staff to work with them during the past year and also the year prior to that. We have called upon them for every conceivable problem and service and what not.

I have had many wonderful times myself using Governor Stark's and Governor Cochran's home as a hotel, and talking with them time and time again. Not only do I thank them personally, but many times I have taken my family along with me. We have called upon Governor Stark time and time again to come up to Chicago this year, and as Chairman, he has always been right on the job.

Governor Cochran has mentioned that he has attended six consecutive Conferences. I am not certain, I don't have the figures, but my guess is that he is the Dean of this Conference—in attendance, not in years. And this year I discovered a new mposition, that is, I, as well as my family, used his airplane to go around the country.

Governor Aiken, representing the state of Vermont, has been

down to New York, to Washington and to Chicago on numerous occasions. He has come to all the meetings we have asked him to, and also has come to the meetings when we had the state officials and state legislature. He is, without exception, representative of that grand old granite state.

Governor Townsend has been right on our doorstep and can be reached by air in one short hour. We have had the opportunity to use his services a great deal. And Governor Cochran mentioned a specific incidence when he cooperated to kick off this trade barrier plan. There was a little mid-western war over the question of beer, directed against a law that had been passed against the State of Indiana. We took the problem down to Governor Townsend and said, "What can we do about it?" He said, "We can repeal the law down in Indiana that is causing all the trouble, and preventing the passage of a repeal statute." He did it right down the line and contributed a great deal to the impetus in our interest to get rid of trade barriers.

I want to thank in general, and to express our great appreciation to the members of the staff for the opportunity we have had to associate with this Committee, and for the help which they have given us all along the line, and I want also, Mr. Chairman, to take this opportunity to express our appreciation and the pleasure we have derived from working with all the Governors present. Thanks.

GOVERNOR STARK: I believe this concludes our afternoon program, and I am sure we all deeply appreciate Mr. Bane's remarks and particularly the magnificent piece of work he has done, not only at the Governors' Conference, but also for the Council and State Governments. I want to take this occasion to thank these gentlemen for the splendid cooperation they have given me, and Mr. Bane and all the members of his staff during my Chairmanship of the Governors' Conference.

I have never called on any Governor or group of Governors for help on any questions of the Governors' Conference in which they haven't responded freely and whole-heartedly. It has been a pleasure to work with them.

I think the work was started two years ago on the trade barrier matter, and has probably been the most remarkable piece of publicity that has ever been put over in the United States in so short a time, and that of course, is largely due to the remarkable ability and facilities with which Mr. Bane has

handled the problem. It was purely and simply a publicity problem in selling, not only the government and officials of the state, but the public as well.

During the course of that trade barrier publicity campaign, as Chairman of the Conference, I was honored by the Board, by the American Association of Publicity Agents for having performed, through publicity, the most valuable contribution to national affairs. I think that really Frank Bane should have received that award. But I got the award when Frank Bane deserved it. Again I want to thank you for having assisted us, and I want to thank you also for having elected me your Chairman, and I assure you that it has been one of the happiest duties I have ever performed. Thank you.

GOVERNOR McMULLEN: I was hesitant about getting up, but I see Governor Stassen has entered the room and this is the most appropriate time to say what is on my mind.

The people of Delaware, through me, want to express their appreciation to the people of Minnesota, to Governor Stassen, for their hospitality, and I also want to express, while here, my appreciation of the wonderful support that has been given by General Walsh and the Aides. This hotel and all other places where we have stopped have been very kind and considerate, and I want to take this occasion, Governor Stassen, to thank you for the pleasure of spending these two short days with you.

This country has no fear of the future, and I want to say again, this being my fourth Conference, that I am deeply impressed with the wholehearted patriotism expressed by the Governors of these various states.

GOVERNOR STARK: Could we have a few words from General Walsh?

GENERAL WALSH: Mr. Chairman, Governor Stassen, Your Excellencies: It has been really a very great pleasure and a great privilege to have had you in the state of Minnesota, and if you found something worthwhile here, and if you have enjoyed a few minutes, all the effort has been well worthwhile. Your secretary brought to my attention the resolution that you adopted yesterday, in which my name was involved, and I would like at this time to express to you my extreme appreciation and gratitude, but I would like to have you know that it was the staff that did the work, not me. Thank you.

GOVERNOR STASSEN: I would like to say that when Mr. Bane brought up the matter of this meeting, I followed a rule that I have learned more and more to respect, in a position such as mine, and that is, to find a good man for the responsibility and then give it to him. That is what I did with General Walsh. I called him in and gave him full responsibility and have been very much pleased with the arrangement. He has enlisted the support of the many splendid men and women on the committees, and from his own staff, and we have been pleased to have this service to the great work the Conference has carried on.

GOVERNOR STARK: Governor Stassen and General Walsh, I am sure I voice the sentiment of all the Governors who have been in attendance at this Governors' Conference, that Governor Stassen is most fortunate in having an Adjutant General who has proven himself to be a master of detail, and a director of a perfect working machine.

Are there any other matters to come before this Conference? If not, the motion to adjourn has been made.

GOVERNOR COCHRAN: I second the motion.

GOVERNOR STARK: The meeting is adjourned.

Executive Session

THE Executive Session of the Governors' Conference convened at ten o'clock, Tuesday, June 4, aboard special train, Governor Lloyd C. Stark, Chairman of the Governors' Conference, presiding.

The first item on the agenda was the reading of the Treasurer's report by Mr. Frank Bane. Copy of the report was distributed to each Governor present and the Treasurer read a summary of the status of the treasury. It was moved that this report be accepted. The motion was seconded and so ordered. (See Appendix III, page 172 for this report.)

Governor Baldwin presented the report of the Auditing Committee and read a statement from the firm of James S. Matteson & Co. to the effect that the records of the conference were in order. Motion was made, seconded and carried to accept this report.

Several resolutions were presented by Governor Vanderbilt for the pleasure of the Conference. These resolutions expressed the appreciation of the Governors' Conference to the State of Minnesota and to Governor and Mrs. Stassen; to Governor Lloyd C. Stark, retiring Chairman of the Executive Committee; to Adjutant-General Walsh for his leadership in arranging the details and entertainment for the 1940 Conference, to his staff, and to the Ladies' Committee as well as to the various Chambers of Commerce and associations who contributed to the entertainment. A resolution was also proposed to express the regret of the Conference that this year, for the first time in many, former Governor Cary A. Hardee was unable to attend the meeting, and to express its indebtedness for his contribution to the Conference during his many years as member of its Executive Committee and as its Secretary.

A motion was made, seconded and carried that the Conference adopt these resolutions. (See Appendix IV, page 177 for the resolutions.)

Governor Cochran presented the report of the Nominating Committee, making the following nominations for members of the Executive Committee for the ensuing year:

Governor William H. Vanderbilt, Rhode Island

Governor Herbert R. O'Connor, Maryland

Governor Harold E. Stassen, Minnesota

Governor Henry H. Blood, Utah

Governor Burnet R. Maybank, South Carolina,
for re-election.

Frank Bane, Secretary-Treasurer

The adoption of this report was unanimously carried.

Governor McMullen then asked for discussion of a report prepared by the Delaware State Tax Department with respect to U. S. Senate Bill 330. Figures prepared by the Tax Policy League and supplemental statement with respect to amounts of franchise taxes in the several states were distributed to each of the Governors, and the Secretary was requested to see that each Governor not present receive a copy.

After considerable discussion it was agreed that the Secretary be instructed to have a legal and economic study made of the Bill, prepare a brief memorandum, and mail a copy to each of the Governors of the forty-eight states. The Secretary was also instructed to obtain from the proper authorities in the Tax Department the basis for these figures and to advise the Conference as to what is included in the figures from each state.

A motion was then made by Governor Bricker, seconded by Governor Saltonstall, that the Executive Committee contact the Secretary of the Treasury, the Chairman of the Senate Finance Committee and the Chairman of the Ways and Means Committee of the House of Representatives, with a view to developing a co-ordinated tax program as among the Federal Government, the states, and the local governments, in order to avoid the further duplication of taxes by the various tax authorities, federal, state and local.

After discussion the motion was voted upon and the Executive Committee requested to make such a study.

There being no further business the Executive Session of the Governors' Conference adjourned.

Executive Committee Meeting

THE Executive Committee of the Governors' Conference met aboard special train from Duluth on Tuesday Morning, June 4. Governors O'Connor, Stassen, Vanderbilt and Mr. Frank Bane were present.

Upon motion of Governor Stassen, seconded by Governor O'Connor, Governor William H. Vanderbilt of Rhode Island was elected Chairman of the Executive Committee of the Governors' Conference for the ensuing year.

The Committee adopted the following resolution:

RESOLVED, That the sum of \$1,000 be paid to the Council of State Governments for its services to the Governors' Conference.

It was agreed that the winter meeting of the Executive Committee should be held in Washington, D. C., at the time of the General Assembly of the Council of State Governments in the month of January.

Appendices

APPENDIX I

Articles of Organization

ARTICLE I

The style of this organization shall be called the "Governors' Conference."

ARTICLE II

Active membership in the Governors' Conference shall be restricted to the Governors of the several States and Territories of the United States, the term "Governors" to include Governors-Elect. Ex-Governors shall be received as honorary members and, as such, shall be entitled to all the rights and privileges of active membership except the right of voting.

ARTICLE III

The functions of the Governors' Conference shall be to meet yearly for an exchange of views and experiences on subjects of general importance to the people of the several States, the promotion of greater uniformity in State legislation and the attainment of greater efficiency in State Administration.

ARTICLE IV

The Conference shall meet annually at a time and place selected by the members of the Executive Committee.

ARTICLE V

The Conference shall have no permanent President. A Governor shall be selected by the Executive Committee at the close of each half day's session to preside at the succeeding meeting.

ARTICLE VI

There shall be no permanent rules for the Government of the Conference in discussion or debate, but the procedure at any session shall be subject to the pleasure of the Governors present.

ARTICLE VII

The proceedings of the Conference shall be fully reported and published.

ARTICLE VIII

The affairs of the Conference shall be managed by an Executive Committee composed of five members to be chosen by the Conference at the regular annual meeting. They shall hold office until the close of the succeeding regular annual meeting and until their successors are chosen. Vacancies in the Executive Committee may be filled by the remaining members thereof.

A Secretary and a Treasurer shall be elected by the Conference at each annual meeting.

ARTICLE IX

The Secretary shall attend all meetings of the Conference, keep a correct record thereof, safely keep an account for documents, papers and other property of the Conference which shall come into his hands, and shall perform all other duties usually appertaining to his office or which may be required by the Executive Committee. He shall be paid an annual salary of not to exceed twenty-five hundred dollars and shall be reimbursed his actual and necessary expenses incurred while traveling on the business of the Conference.

The Secretary shall annually prepare and submit to the Conference a budget of the expenses for the ensuing year. He shall make all necessary arrangements for a program for the regular annual meeting and shall edit the stenographic reports of the proceedings at all meetings. He shall, also, so far as possible, cooperate and keep in touch with organizations, societies and other agencies designed to promote uniformity of Legislation.

ARTICLE X

The Treasurer shall have the custody of the funds of the Conference, subject to the rules of the Executive Committee. He shall deposit funds of the Conference in its name, shall annually report all receipts, disbursements and balances on hand and shall furnish a bond with sufficient sureties conditioned for the faithful performance of his duties.

ARTICLE XI

Persons not members of the Conference shall not be heard, until the regular order of business for the day has been concluded, and then only by unanimous consent. All programs for social entertainment must be approved in advance by the Executive Committee.

ARTICLE XII

These articles or any of them may be altered, amended, added to or repealed at any time by a majority vote of all Governors present and voting at any regular annual meeting of the Conference.

APPENDIX II

Governors, 1940

<i>State</i>	<i>Governor</i>	<i>Present Term Began January</i>	<i>Term of Office in Years</i>
Alabama	Frank M. Dixon (D.)	1939	4
Arizona	Robert T. Jones (D.)	1939	2
Arkansas	Carl E. Bailey (D.)	1939	2
California	Culbert L. Olson (D.)	1939	4
Colorado	Ralph L. Carr (R.)	1939	2
Connecticut	Raymond E. Baldwin (R.)	1939	2
Delaware	Richard C. McMullen (D.)	1937	4
Florida	Fred P. Cone (D.)	1937	4
Georgia	Eurith D. Rivers (D.)	1939	2
Idaho	C. A. Bottolfsen (R.)	1939	2
Illinois	Henry Horner (D.)	1937	4
Indiana	M. Clifford Townsend (D.)	1937	4
Iowa	George A. Wilson (R.)	1939	2
Kansas	Payne H. Ratner (R.)	1939	2
Kentucky	Kenn Johnson (D.)	1940	4
Louisiana	Sam H. Jones (D.)	(1)	4
Maine	Lewis O. Barrows (R.)	1939	2
Maryland	Herbert R. O'Connor (D.)	1939	4
Massachusetts	Leverett Saltonstall (R.)	1939	2
Michigan	Luren D. Dickinson (R.)	1939	2
Minnesota	Harold E. Stassen (R.)	1939	2
Mississippi	Paul B. Johnson (D.)	1940	4
Missouri	Lloyd C. Stark (D.)	1937	4
Montana	Roy E. Ayres (D.)	1937	4
Nebraska	Robert L. Cochran (D.)	1939	2
Nevada	E. P. Carville (D.)	1939	4
New Hampshire	Francis P. Murphy (R.)	1939	2
New Jersey	A. Harry Moore (D.)	1938	3
New Mexico	John E. Miles (D.)	1939	2
New York	Herbert H. Lehman (D.)	1939	4
North Carolina	Clyde R. Hoey (D.)	1937	4
North Dakota	John Moses (D.)	1939	2
Ohio	John W. Bricker (R.)	1939	2
Oklahoma	Leon C. Phillips (D.)	1939	4
Oregon	Charles A. Sprague (R.)	1939	4
Pennsylvania	Arthur H. James (R.)	1939	4
Rhode Island	William H. Vanderbilt (R.)	1939	2
South Carolina	Burnet R. Maybank (D.)	1939	4
South Dakota	Harlan J. Bushfield (R.)	1939	2
Tennessee	Frank G. Cooper (D.)	1939	2
Texas	W. Lee O'Daniel (D.)	1939	2
Utah	Henry H. Blood (D.)	1937	4
Vermont	George D. Aiken (R.)	1939	2
Virginia	James H. Price (D.)	1938	4
Washington	Clarence D. Martin (D.)	1937	4
West Virginia	Homer A. Holt (D.)	1937	4
Wisconsin	Julius P. Heil (R.)	1939	2
Wyoming	Nels H. Smith (R.)	1939	4

1. May, 1940.

APPENDIX III

Treasurer's Report

FRANK BANE, *Secretary-Treasurer*
In Account with the Governors' Conference

1939				Dr.
May	31	Balance.....		\$406.76
		RECEIPTS, 6/1/39-5/27/40		
		Dues for 1939 from:		
		Alabama.....	\$100.00	
		Arizona.....	100.00	
		Arkansas.....	100.00	
		Colorado.....	100.00	
		Connecticut.....	100.00	
		Delaware.....	100.00	
		Florida.....	100.00	
		Georgia.....	100.00	
		Illinois.....	100.00	
		Indiana.....	100.00	
		Iowa.....	100.00	
		Louisiana.....	100.00	
		Maine.....	100.00	
		Maryland.....	100.00	
		Massachusetts.....	100.00	
		Michigan.....	100.00	
		Minnesota.....	100.00	
		Mississippi.....	100.00	
		Montana.....	100.00	
		Nebraska.....	100.00	
		Nevada.....	100.00	
		New Hampshire.....	100.00	
		New Jersey.....	100.00	
		New Mexico.....	50.00	
		New York.....	100.00	
		North Carolina.....	100.00	
		North Dakota.....	100.00	
		Ohio.....	100.00	
		Oklahoma.....	100.00	
		Pennsylvania.....	100.00	
		Rhode Island.....	100.00	
		South Carolina.....	100.00	
		Tennessee.....	100.00	
		Texas (\$100 warrant received, not yet called)		
		Utah.....	100.00	
		Vermont.....	100.00	
		Virginia.....	100.00	
		West Virginia.....	100.00	

TREASURER'S REPORT

173

1939

May

Wisconsin.....	\$100.00
Wyoming.....	100.00

\$3,850.00

Dues for 1940 from:

Alabama.....	100.00
Arizona.....	100.00
Connecticut.....	100.00
Delaware.....	100.00
Maryland.....	100.00
Missouri.....	100.00
Nevada.....	100.00
Rhode Island.....	100.00
Tennessee.....	100.00
West Virginia.....	100.00

1,000.00

Wilson, Carver, Davis, Keyser—refund on bond of Stanley C. Wilson, former Treasurer.	10.00
Sale of Governors' Conference Proceedings, 1939.	58.13

TOTAL RECEIPTS..... \$5,324.89

DISBURSEMENTS

1939

Cr.

June

9	Council of State Governments—telegrams.....	\$ 16.15
30	Frank Bane—salary quarter ended 6/30/29.....	375.00
	Jane Bethge—travel.....	16.49
	The Inland Press—printing programs.....	16.50

Public Administration Clearing House:

Processing letters.....	\$23.18
Postage.....	5.40
Travel—Frank Bane (air scrip).....	20.82
Telephone calls.....	33.00
Stenographic services.....	.88

83.28

July

7	Tom Green—travel.....	74.33
	The Waldorf Astoria—travel (Tom Green).....	15.88
	Frank Bane—travel.....	79.70

14 Council of State Governments:

Postage.....	\$ 3.72
Telegrams.....	11.34
Miscellaneous (collection charges on checks deposited).....	.70

15.76

1939				
July	24	Railway Express Agency—conference material . . .		\$10.77
	27	Public Administration Clearing House:		
		Telephone calls	\$ 8.20	
		Railway Express		
		(conference material)	12.82	
				21.02
August	3	Council of State Governments—miscellaneous:		
		Acme Newspictures invoice for photograph		5.00
		The Fellowcrafts' Studios—miscellaneous:		
		Two photographs		10.00
September	13	Council of State Governments:		
		Miscellaneous (collection charge on		
		check deposited)	\$.25	
		Railway Express56	
				.81
	30	Frank Bane—salary quarter ended 9/30/39		375.00
October	5	The John B. Wiggins Company—stationery		58.88
	10	Council of State Governments—telegrams		1.13
November	21	Frank Bane—travel		29.74
December	5	Council of State Governments:		
		Miscellaneous (collection charge on		
		check deposited)	\$.10	
		Postage, express, and mailing	3.48	
		Processing letters14	
				3.72
	26	Frank Bane—travel		38.20
	29	Council of State Governments—telephone calls		6.40
		Frank Bane—salary quarter ended 12/31/39		375.00
1940				
January	4	Council of State Governments—contribution		1,000.00
	11	Kingsport Press, Inc.—printing proceedings		383.30
	31	Council of State Governments—mailing proceedings . .		2.03
	31	Public Administration Clearing House—travel:		
		Frank Bane (air scrip)		25.00
February	26	Frank Bane—travel		5.75
March	1	American Airlines (scrip)—travel, Frank Bane		27.50
	28	Frank Bane—travel		24.39
	30	Frank Bane—salary quarter ended 3/31/40		375.00
		Council of State Governments:		
		Telephone and telegraph		4.61
April	16	Northwestern University—miscellaneous (tickets for		
		football game, Executive Committee on		
		10/21/39)		27.50

1940			
April	25	Public Administration Clearing House:	
		Postage and mailing.....	\$ 1.80
		Telephone calls.....	10.90
		Processing letters.....	3.56
			<hr/>
			\$16.26
		Council of State Governments—telegrams.....	11.08
		American Airlines (scrip)—travel, Frank Bane.....	11.00
			<hr/>
		TOTAL EXPENDITURES.....	\$3,542.18

SUMMARY

May 27, 1940

Balance on hand 5/31/39.....	\$ 406.76
Receipts, 6/1/39-5/27/40.....	4,918.13
	<hr/>
Total receipts.....	5,324.89
Total expenditures, 6/1/39-5/27/40.....	3,542.18
	<hr/>
Balance on hand.....	\$1,782.71
Amount in Guaranty Trust Company, Fifth Avenue Branch, New York	
City checking account.....	\$1,782.71

FRANK BANE, *Secretary-Treasurer*

JAMES S. MATTESON & CO.
 CERTIFIED PUBLIC ACCOUNTANTS

Duluth, Minnesota

June 3, 1940

Honorable Raymond E. Baldwin
 Chairman of Auditing Committee
 The Governors' Conference
 In convention assembled
 at Duluth, Minnesota

Dear Sir:

At your request we have examined the report of the Treasurer of the Governors' Conference, covering the period June 1, 1939 to May 27 inclusive, 1940.

This report was supported by duly cancelled vouchers for all disbursements shown thereon, which vouchers were examined by us, and appeared regular and proper evidence for the disbursements.

The report of the Treasurer correctly sets forth the cash receipts and disbursements for the period as stated, together with the beginning balance which agreed with the report of the auditor as at June 1, 1939, and the ending balance as at May 27th, 1940 of \$1,782.71, which amount is in agreement with the balance certified to us by telegram by Guaranty Trust Company of New York as being to the credit of The Governors' Conference account after a deposit of May 27th had been credited on May 28th, 1940.

From the Treasurer's report there appears to be on hand a warrant received from the State of Texas in the amount of \$100.00 which has not been included in the total of the receipts nor has it yet been deposited, as it has not been called for payment. Mr. Frank Bane, Secretary-Treasurer, advises that this warrant is on hand in the safe at the Conference headquarters, in Chicago, Illinois.

Respectfully submitted,

JAMES S. MATTESON & COMPANY

Dues were received from the following states by the Secretary-Treasurer after his report was submitted to the Governors' Conference and should be added to the Secretary-Treasurer's balance:

Florida	Mississippi	Ohio	South Dakota
Georgia	Nebraska	Oklahoma	Utah
Illinois	New Hampshire	Oregon	Virginia
Indiana	New York	Pennsylvania	Wisconsin
Iowa	North Carolina	Puerto Rico	Wyoming
Massachusetts	North Dakota	South Carolina	

FRANK BANE

Secretary-Treasurer

July 11, 1940

APPENDIX IV

Resolutions of Appreciation Adopted at the Thirty-Second Annual Governors' Conference

THE Governors' Conference, assembled in the State of Minnesota for its Thirty-second annual meeting, expresses its deep and lasting gratitude to the State of Minnesota for the warm hospitality with which it has welcomed and entertained the Governors of the several states and their friends, and for the significant contribution it has made to the furtherance of cooperation among the states and solidarity throughout the Union. The Conference is particularly grateful to Governor and Mrs. Harold E. Stassen who have in such large measure been responsible for the success that has attended this meeting.

The Conference expresses its sincere appreciation to Governor Lloyd C. Stark, who, as Chairman of the Executive Committee of the Conference during the past year, has conducted the affairs of the Conference with such ability, foresight and tact.

The Conference deeply regrets that this year, for the first time in many, Hon. Cary A. Hardee, former Governor of Florida, has been unable to attend this gathering. To Governor Hardee it wishes to express its lasting indebtedness for his contributions to this association during his many years as member of its Executive Committee and as its Secretary.

The Conference is most grateful to Adjutant-General E. A. Walsh and his staff for their painstaking efforts to make this meeting a successful and pleasant one, and for the hospitable manner in which they have treated the Governors and their friends.

The Conference expresses its sincere thanks to the General Committee and the Ladies Committee for the Governors' Conference for the pleasant entertainment which they have arranged for the Conference. It is especially indebted for the many kindnesses shown to the Governors and their friends by the Duluth Chamber of Commerce, the Minneapolis Civic and Commerce Association, the Hibbing Chamber of Commerce, the Ely Commercial Club, the Chambers of Commerce of the other Range cities, the Minneapolis Civic and Commerce Association and the St. Paul Association of Commerce.

APPENDIX V

Entertainment Program

Sunday, June 2

Concert, 125th Field Artillery Band, Hotel Duluth
Reception and Buffet Supper, Hotel Duluth

Monday, June 3

Luncheon at the Hotel Duluth
Dinner at the Hotel Duluth as Guests of the Duluth
Chamber of Commerce

Tuesday, June 4

Trip on Special Train to Iron Range, Ely and Hibbing
Luncheon at the Burntside Lodge as Guests of the Minnesota
Arrowhead Association and the Ely Commercial Club
Tour of Mines at Hibbing
Banquet and Ice Show at the Hibbing Memorial Building as
Guests of the Chambers of Commerce of Hibbing, Grand
Rapids, Virginia, Coleraine, Nashwauk, Buhl, Eveleth,
and Chisholm

Wednesday, June 5

Luncheon at the Hotel Duluth
Concert, 125th Field Artillery Band, Hotel Duluth
State Dinner at the Hotel Duluth as Guests of the Minneapolis
Civic and Commerce Association, and the St. Paul Association
of Commerce

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